

CSR: Bridging business and development for sustainability

A case study of CSR implementation at coffee houses as enabler for sustainable development and livelihood among small-scale producers

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This Master's Thesis is carried out as a part of the education at the University of Agder and is therefore approved as a part of this education. However, this does not imply that the University answers for the methods that are used or the conclusions that are drawn.

Abstract

A prerequisite for achievement of sustainable development is economical growth (Norwegian Government, 2008-2009). Today an increasing number of corporations in the Western world implement the concept of Corporate Social Responsibility (CSR) (Norwegian Embassy Mexico, 2010a; Norwegian Government, 2008-2009). Accountability theories suggests that CSR initiatives increases transparency and accountability of a company, which again increases its legitimacy (Bendell, 2000; Utting, 2005). CSR is makes “(...) *companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*” (EU Commission, 2001, p. 6 in Kalstad 2006, p. 10). Fairtrade is a concept which cutting back on middlemen, making a larger degree of the surplus stay with the producer, providing an averagely higher price, a higher degree of life security, and possibly a more sustainable livelihood among rural poor in the South (Aranda, 2002; Bacon, 2004; Boersma, 2002; Jaffee, 2007; Murray, 2003; Ronchi, 2002; Wise, 2005). To reach out Fairtrade is dependent on manufacturers to sell their product. Is Fairtrade sustainable, in the manner that the corporations will continue to sell certified coffee? When CSR is realized through Fairtrade involvement, does it contribute to sustainable development? Several studies documents Fairtrade’s effect, and CSR too, though not interlinked. When so; do they interact as an alternative to aid, contributing to sustainable livelihood, creating a mutual partnership between international and local actors?

The empirical investigation is based on a case study of five Coffee Houses in Norway, and the members of MICHIZA, a small-scale coffee producer cooperative in Oaxaca, Mexico. In addition a literature study has been carried out.

All corporations have a CSR strategy, and are either selling or have sold Fairtrade certified coffee. They are selling the certified coffee due to demand, though also as part of their CSR strategy, operating more environmental and social responsible. The corporations have realized that selling certified coffee is more sustainable for all parties, and they profit on it, being able to maintain quality and production in the long run which if not organic produced threatens to deploy the soil creating an environmental threatening production. Selling Fairtrade coffee may easily be part of the corporations CSR strategies; and the production will persist, due to a mutual benefit.

MICHIZA’s members are producing Fairtrade certified organic coffee. Being organized in MICHIZA has contributed to improve life, a more sustainable livelihood, though not at all areas, and not sufficiently. The corporations realize this, though handle by having a variety of different development projects, though not necessary directed towards the coffee producers. Fairtrade however have contributed to MICHIZA’s members improved living conditions, and more sustainable livelihood and development.

CSR may be implied as development enabler; economical growth is a prerequisite for sustainable development. When economical investment is mutual beneficial it is more likely to be maintained. CSR realized through Fairtrade creates an environment for sustainability, and some corporations have realized the mutual dependency for assurance of future production, and sale. And not atleast does the producers, corporations and consumers of coffe all benefit on it.

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The naive idealism slowly faints parallel with my increased knowledge. The world is unfair, though the importance for believing in justice is endless, and invaluable, and the hope for a better future for all necessary to create change.

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List of abbreviations

ACPC – Association of Coffee Producing Countries
AMECAFE - Asociación Mexicana de la Cadena Productiva del Café (Mexican Coffee Federation)
ATO – Alternative Trade Organizations
CEPCO – Coordinadora Estatal de Productores de Café de Oaxaca
CRS – Catholic Relief Services
CSR – Corporate Social Responsibility
CSR2 – Corporate Social Responsiveness
CSP – Corporate Social Performance
CURP – Cédula Unica de Registro de Población
ETI Norway – Ethical Trade Initiative Norway
EU – European Union
FDI – Foreign Direct Investment
GATT – General Agreement on Tariffs and Trade
GDP – Gross Domestic Product
HDI – Human Development Index
ICA – International Coffee Agreement
ICO – International Coffee Organization
ICP – International Coffee Production
IEH – Initiative for Ethical Trade (Initiative for Ethic Trade)
ILO- International Labor Organization
Inmecafè – The Mexican Coffee Institute (Instituto Mexicano del Café)
Lb – Libra (Pound)
N.A. – Not available
NAFTA – North American Free Trade Agreement
NGO – Non Governmental Organization
NKI – Norsk Kaffeinformasjon (Norwegian Coffee Information)
OECD – Organization for Economic Co-operation and Development
PAN – Partido Acción Nacional
PPP – Purchasing Power Parity
PRI – Partido Nacional Revolucionario
Sagarpa – Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación de México
SL – Sustainable Livelihood
TNC – Transnational Corporation
UEPC - Economic production and marketing units
UN – United Nations
UNDP – United Nations Development Program
UNICEF – United National Child Foundation
U.S. – United States of America
USD – United States Dollar
WB – World Bank
WBCED – World Business Council on Environment and Development
WCED – World Commission on Environment and Development

List of translations

Acopio – Mid- payment
Ajusto – Final payment
Anticipo – Pre- payment
Apoyos – State support/grants
Cafetal – Coffee production/Plant
Cena - Dinner
Colectivo – Shared taxi
Comedor – Dining room, local restaurant at some ones house
Comunidades - Communities
Coyotes – Middlemen/intermediaries buying the coffee from the producers, selling it to buyers in the cities
Dirrectiva – The administration at Michiza
El Foro - Forum
Frijoles – Black beans
Intermediaries - Middlemen
Libra – Pound (1 lb = 0,45 kg)
Milpa – A mixture of corn and beans for self subsistence
Mozo – Hired labour
Parcelas – Parcels
Patio – Concrete platform for drying coffee
Remisas - Financial support from relatives abroad
Sierra Norte – the Northern Mountains
Socio/s – Each Michiza member (it may be to members in a family, if both the man and the wife have parcels.
Tortillas – Corn or wheat unleavened flatbread served to all Mexican meals.

1. Introduction

1.1. Background

When corporations withtake social responsibility besides mere profit it is called Corporate Social Responsibility (CSR). CSR is a concept that has achieved increased focus over the last two decades (Mullerat, 2005) being a multi-faced tool, useful and available. Though it has its limitations; there are no international juridical frameworks to regulate its use, nor mandatory to implement which thereby guarantee that it is not just another mayfly (Kalstad, 2006). Its major power lies within the appreciation from the consumers, which the corporations can not afford to let pass unnoticed. However, several academics argue that CSR can be used to achieve development in developing countries, therefore is the guiding question for this research whether CSR is an alternative path to sustainable development and livelihood through a more ethical behaviour among corporations? Could it contribute to a mutual partnership and benefit between local and international actors?

The UN writes that CSR is (...) *“an evolving term with no standard definition or a fully recognized set of specific criteria. However, there is general agreement that it aligns business operations with social values. CSR focuses on the social, environmental, and financial success of an enterprise with the goal being to positively impact society while achieving business success and embraces two main concepts—accountability and transparency”* (COPAC, 2007). CSR aligns business operation with social values. It is seen as a bridge between the three sectors of public, private and civil society by its regulation standards for ethical improvement (Ruud, 2007).

A CSR strategy is nowadays often implemented at corporations to show how responsible the corporation is in relation to its shareholders. The strategy consists of guidelines for how to act more responsible, for example concerning preservations of the environment and caring for its workers, using the Swedish furniture corporation IKEA as an example. IKEA's "Environment and Social Responsibility" folder (IKEA, 2008) provides a good illustration. The folder presents IKEA's focus on sustainability towards its shareholders; how the company emphasizes safety within production through limited use of health threatening chemicals or products containing small pieces which could be harmful for small children. The furniture is created from environmentally friendly material, reusing waist products. The production is environmentally sustainable; using organic cotton and serving Utz certified coffee. Utz coffee certification inherits the same standards as Fairtrade certification which will be further elaborated later, but Utz is limitet to include coffee certification and focuses mainly on economical development among its producers. IKEA also has its own development project, supporting a seedling project in Borneo, replanting forests. Their ethical guideline guarantees; no discrimination, forced or child labour, a healthy working environment, extra paid overtime and regulated working hours. IKEA also cooperates with UNICEF.- CSR may be used as a means for achieved enhanced sustainable economic development; and example of this is through fair trade.

Fair trade is another concept which also draws the attention of consumers. Here a distinction must however be made between 'fair trade' and 'Fairtrade'; *fair* trade is a an organized social movement and market-based approach that aims to help producers in developing countries obtain better trading conditions, improved livelihood and promote sustainable development. The movement advocates the payment of a price to producers as well as social and

environmental sustainable development standards. It focuses in particular on exports from developing countries to developed countries; handicrafts, coffee, cocoa, sugar, tea, bananas, honey, cotton, wine, fresh fruit, chocolate and flowers. *Fairtrade* is a product certification system, one of many, designed to allow people to identify products that meet agreed environmental, social and developmental standards; overseen by a standard-setting body, Fairtrade Labeling Organization (FLO), and a certification body, FLO Cert. The system involves independent auditing of producers to ensure that the agreed standards are met, and cooperatives offering products that meet FLO's standards may apply for licenses to use the Fairtrade Certification Mark for those products (FairTradeMaxHavelaar, 2010a). FLO's sales increased from 3, 2 billion USD in 2007 to 4, 7 billion USD in 2009. At the end of 2008 there were 872 certified producer organizations in 58 developing countries. These represent more than 1.5 million producers, about 7.5 million people, including the members' dependents. These benefits directly from FLO (Fairtrade, 2009-2010; FairTradeMaxHavelaar, 2010a).

Throughout this thesis 'Fairtrade' will be used when referring to the concept of FLO Certified coffee. It will therefore be important to distinguish between 'Fairtrade', *fair* trade (in contradiction to "un-fair"), FLO and FLO Cert. throughout this thesis.

Fairtrade has a potential to affect the lives of many in developing countries. Fairtrade may be called a manifestation of CSR – but does it actually contribute to sustainable development and livelihood as promised? Fairtrade implies a decent income to the producers, it guarantees food security, but is that enough? What is 'fair'?

Defining CSR is often done hand in hand with the sustainability aspect, a CSR strategy is supposed to have a long term engagement, often interpreted as sustainable. According to Haukaas (2006), a successful CSR approach often even synonymous with sustainable development within that corporation's project, which underlines an interpretation, that sustainability is interlinked with duration and survival of the CSR strategy. Can this be seen in correlation - can fair trade through Fairtrade be a means for CSR, corporations contributing to increased sustainability, and a sustainable livelihood for the farmers involved? These are the guiding questions for the research upon which this master's thesis is based.

The research has been divided into three parts; a literature study was conducted in the fall 2008 on the relationship between CSR, Fairtrade and sustainable livelihoods and development. Moreover, field work was carried out spring 2010 in Mexico, in the state of Oaxaca, focusing on how Fairtrade affects the life of small-scale coffee producer cooperative members in the area. Finally, interviews have been conducted with coffee houses/importers having an increasing share of Fairtrade certified coffee in their selection. This is to identify their motivation for selling Fairtrade certified products. Do the corporations see Fairtrade as an important element of their CSR, and to what extent is their Fairtrade involvement motivated by an overarching goal of sustainability?

Mexico was chosen as the geographical venue for the field work due to its importance on the coffee market, and being a Spanish speaking developing country, a language I command relatively well. Oaxaca was the very first place for Fairtrade export of coffee, with cooperation between small-scale producers in the cooperative UCIRI and Max Havelaar, later Fairtrade, in the Netherlands; coffee being the first certified product (Jaffee 2007). Moreover, Mexico's membership in OECD as the only Latin American member encourages future cooperation between Norway and Mexico for development of even stronger trade relations. Coffee Houses in Norway was chosen on the basis of being my country of residence.

The methodology applied for the study has been qualitative. The overall objective has been two-leveled; to explore the timeline and interests coffee houses/corporations have with reference to their increasing Fairtrade sale, and to see whether Fairtrade production enable sustainable livelihood among small-scale producers in Oaxaca, Mexico. The fieldwork among the coffee producers was carried out in the state of Oaxaca de Juarez in Mexico from 6th of February to 27th of March 2010. It was conducted as a case study of the small-scale coffee producers at the cooperative MICHIZA located in Oaxaca. The target group was the small scale coffee cooperative MICHIZA's members; indigenous small-scale coffee producers of Fairtrade certified coffee. Qualitative interviews were also conducted with the following five coffee houses in Norway; Kaffehuset Friele, Joh. Johansson Kaffe AS, A/S Pals, Kjeldsberg Kaffebrønneri and Löffbergs Lila AS for elaboration of their timeline and interest in Fairtrade and CSR. In Chapter 4 I provide a more detailed description of the methodology applied.

1.2. Research objectives and research questions

With the topic; 'can a Corporate Social Responsibility implementation at a corporation enable sustainable development and livelihood in developing countries?' the main objective of this research is;

- Does Corporate Social Responsibility implementation at corporations, realized through Fairtrade, enable sustainable livelihood – a case study of five coffee houses in Norway and members of the small-scale coffee cooperative MICHIZA, in Oaxaca, Mexico.

Research questions to the international actors: the coffee houses/corporations:

- How is the corporations' interpretation of Corporate Social Responsibility?
- Why do the coffee houses have Fairtrade products, and what is their perspective on Fairtrade?
- Does Fairtrade function as a CSR strategy for the coffee houses?

Research questions to local small- scale coffee producers at MICHIZA:

- How has Fairtrade affected their life/living conditions?
- Does Fairtrade promote sustainable livelihood according to their experience?
- Has Fairtrade contributed to sustainable livelihood/development?

An underlying hypothesis of the main objective is that CSR may be an alternative strategy for international corporations to enhance sustainable development and livelihood in developing countries, through for example a more specific strategy like Fairtrade. If the hypothesis is confirmed it implies that CSR through Fairtrade would encourage a more mutual relationship between international corporations and producers in the South. Corporations are likely to profit on improved consumer respect. It would ideally contribute to a more mutual partnership between the North and the South.

1.3. Thesis outline

The thesis outlined is as following: In Chapter One I provide a short introduction of the subjects, relevance and how the study has been carried out. The next section is about main objectives and research questions, followed by this thesis outline. Chapter Two presents a literature review of CSR and Fair Trade. It deals with today's interpretation of CSR, challenges and possibilities. Further it explores Fairtrade, and how it may be linked to CSR for achievement of sustainable local development. In Chapter Three I provide a contextual background of Mexico, the state of Oaxaca and the cooperative MICHIZA. It is written with the hypothesis for this research in mind, hence focusing on socio-economical aspects and the indigenous heritage. It also gives a brief history of coffee; presenting the challenges when being a coffee producer. Chapter Four explains the methodology applied for this thesis and, outlines the research process. It goes through the research strategy, design, data collection and interpretation, ethical considerations, limitations and challenges. Chapter Five presents the empirical findings at the international actors – the corporations/coffee houses. Chapter six presents the empirical findings from the local producers/coffee producers – MICHIZA's small-scale coffee producers. In Chapter seven the discussion and analysis of the sustainable cup is elaborated, integrating CSR, Fairtrade and sustainability and presents how they interact. In the last chapter, Chapter Eight, concluding remarks are presented, though also recommendations to the parties involved; the corporations, MICHIZA and FLO.

2. Literature review and theoretical framework

2.1. Introduction

This chapter will go through the literature on which this thesis is founded. It will first discuss the concept of CSR. Then it will elaborate the development of Fairtrade, and possible benefits/challenges with Fairtrade. Then CSR will be linked to Fairtrade and sustainable development/livelihood to present how they interact. The chapter will also contain a brief section about sustainable development concerning livelihood and environment. Finally, the theoretical framework for this thesis will be presented. It is based on the theories presented in the literature review, and my findings will be analysed according to this framework.

2.2. Corporate Social Responsibility

To achieve sustainable development economical growth is a prerequisite. According to OECD does direct investments contribute to technology transfer, knowledge and skills development, trade related integration and development of a more competitive business. Together all this contributes to economic growth, the most important instrument for combating poverty. Measures for achievement may be attached to core business, related to longtime strategies, emphasizing that businesses role in developing countries is not to be under estimated (NorwegianGovernment, 2008-2009).

Today an increasing number of corporations implement CSR strategies in the Western world, hence also increasing in the developing countries (NorwegianEmbassyMexico, 2010a; NorwegianGovernment, 2008-2009). Accountability theories suggests that CSR initiatives should aim at increasing the transparency of a company as this will enable people to hold the company to account, which again increases its overall legitimacy and transparency (Bendell, 2000; Utting, 2005). CSR benefits both business and society if an appropriate and inclusive stakeholder dialogue is at stake. This adds legitimacy to the company, and responsiveness to the stakeholders (Bendell, 2000).

Corporate Social Responsibility (CSR) is by many seen as a high conjuncture phenomenon and a new innovation, though is not; CSR is not a new phenomenon. The concept first appeared in 1953 in the publication of Bowen's "Social Responsibility of Businessmen". The concept was introduced along with the question "*what responsibilities to society can business people reasonably be expected to assume?*" (CorporateWatch, 2008). It questioned whether a business did have any obligation besides maximising profit. In the 1960s the definition was expanded suggesting that beyond legal obligations companies had certain responsibilities to society, though not stating which (CorporateWatch, 2008). Currently, CSR seems to be experiencing a renaissance: the concept is frequently used in today's discourse by governmental, public, private, and in civil society. CSR highlights the idea of a new partnership between public, private and civil society. It becomes an agenda for change and cooperation – to take all stakeholders into consideration. Integrating CSR at corporations may be a way to create a more sustainable development bridging business and development (Blowfield, 2005).

Due to the lack of an international juridical framework, there is no common agreed upon definition of CSR (Dahlsrud, 2006; Kalstad, 2006) nor a standardization for measuring it.

A Norwegian Whitepaper on CSR (No. 10) was published in 2009. It was hoped to provide a legal framework or at least guidelines for Norwegian corporations' CSR. However, the long expected paper did not give the expected framework for Norwegian corporations operating domestically or abroad. An international judicial legislation which also has been called for, will take even longer. Hence, a definition will be challenged by those who wish to contest the reach and application of any version of CSR. The lack of a common definition creates an environment for interpretations of the existing concept and contributes to the variety of strategies within CSR. Thus, according to Moon (2004 in Bromhill 2007, p. 4-5) is *“CSR a difficult concept to concretise, since it overlaps with other such concepts as corporate citizenship, sustainable business, environmental responsibility, the triple bottom line; social and environmental accountability; business ethics and corporate accountability”*. The work and pressure for an international legislation from UN is evolving, and a more united front and international framework for CSR, is wanted by both the Norwegian government and the Norwegian civil society (NorwegianGovernment, 2007, 2008-2009). In spite of the lack of an overall recognized definition, CSR is defined by some of the world's biggest institutions, such as the UN and EU. The UN's definition goes into details, providing a good description of CSR which fits well with my own interpretation of CSR. *“Corporate social responsibility is an evolving term with no standard definition or a fully recognized set of specific criteria. However, there is general agreement that it aligns business operations with social values. CSR focuses on the social, environmental, and financial success of an enterprise with the goal being to positively impact society while achieving business success and embraces two main concepts—accountability and transparency”* (UN in COPAC, 2007).

The EU's definition, which is one of the most frequently used ones, is the one which will be defining CSR for this thesis:

CSR is *“(…) a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”* (EU Commission, 2001, p. 6 in Kalstad 2006, p. 10).

In the Norwegian White Paper No. 10 (NorwegianGovernment, 2008-2009) CSR is referred to as “Business of business is business”, claiming that the business itself will preserve its obligations towards society by increasing their sales. That a business only should increase their sales, and the increased sale gives increased employment, general development and welfare which will provide the society its benefit without a CSR profile necessary. But to which degree should sales be increased, where to draw the line? At what point does it stop benefiting the society? That is why CSR may be a way of guaranteeing the mutual benefit between a business company and the overall society. Unfortunately not all corporations do act like this, but rather exploit local environment in search for maximising of profit. In Norway all corporations are obliged by law to act in such manner that local physical environment are not jeopardized or over exploited.

The UN is working for an international legislation on CSR, and a more united front and international framework for CSR is wanted by the Norwegian government (NorwegianGovernment, 2007, 2008-2009). As previously said, the long expected Norwegian Whitepaper No. 10 did not given the expected legal framework for Norwegian corporations operating domestically or abroad, and an international judicial legislation will meet a Norwegian as well as an international need. However, any definition will necessarily be challenged by those who wish to contest the reach and application of any version of CSR.

There are also a mass of options for labelling a corporations supposed CSR profiles/strategies incorporateing several types of ethical considerations such as; “*codes of conduct; measures to improve environmental management systems and occupational health and safety; company ‘triple bottom line’ reporting on financial, social, and environmental aspects; participation in certification and labelling schemes; dialogue with stakeholders and partnerships with NGOs and UN agencies; and increased support for community development projects and programmes*” (Utting, 2005 in Bromhill, 2007, p. 5). Though are the strategies fulfilled?

According to Mullerat (2005, p. 4) does the ongoing debate around CSR concerns to which degree it shall continue to be a voluntary principle of corporate behaviour or be enforced through legislations. The former solution is preferred by corporations, and the latter by civil society and Non Governmental Organizations (NGO’s). Some argue that CSR initially was voluntary, and was to be a parameter when dealing with corporations. By regulating this by law, the difference between those who independently implemented it and those who implement it by law enforcement will evaporate. According to the EU, CSR is seen as volunteerism and thus contributes beyond mere law-abidingness; you should not overexploit your surroundings, your stakeholders. Instead you should pay a decent price for your services; this signifies the difference between “good” and “bad” corporations. But, law enforcement differs from country to country, and the law enforcement in developing countries is in many cases considered weak. Obeying the law alone will not be considered as CSR and *Corporate Social Responsibility* encourages a certain degree of voluntarism, according to Haukaas (2006). By being a law enforcement the actual act of moral responsibility will no be presented to the consumer, according to some. Is CSR reliable when being used as a development tool, is it sustainable? The sustainability may be affected when it is enforced by law, it may be more reliable.

Nowadays focus on CSR makes large corporation to be expected to have a CSR strategy. Businesses influence increases as a direct consequence of the globalisation and the opportunities and challenges which follows, hence also corporations obligations towards the environment, society and humanity affected by the business. Though globalisation also has presented new challenges; the demand for transparency strengthened the competition. Stakeholders present higher demands on products and services to be properly social and environmental created (Norwegian Government, 2008-2009). Corporations performing social responsible may reduce own risk, increasing competitive advantage and economical development. This also includes Norwegian corporations operating abroad. A juridical framework may lead to other positive outcomes such as a higher number of implementations. Standardization of reporting CSR increase control for implementation, and present a difference between those who implement, and those who says they implement CSR. It would provide a framework for controlling that when CSR is implemented it would be at all levels.

2.2.1. CSR in Mexico

In Mexico CSR is less developed than in the Western world. However the focus on CSR in Mexico has increased considerably in recent years, especially after the Mexican government adopted the UN Global Compact initiative in 2005. In retrospect more than 200 companies have chosen to implement the same regulations (including 10 basic principles of human rights, labor, environment and anti-corruption), but it is still only the largest companies which have the necessary resources to invest in CSR. Guidelines have been developed, which the companies can choose to join as part of their reputation strategy, including the Instituto

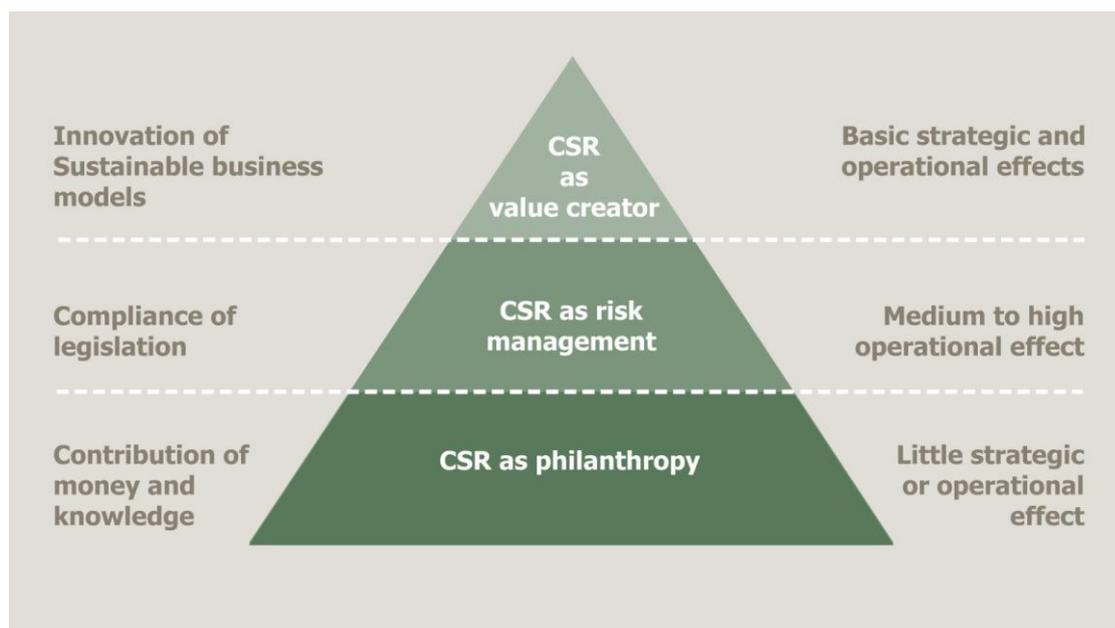
Mexicano de Certificación y Normalizaciones 'regulations and statutes for implementation of an administrative system for social responsibility'. The statutes have also been used as a template for ISO 26000 (NorwegianEmbassyMexico, 2010b). ISO 26000 is an international standard providing *Guidance on social responsibility*. It is a global guidance for private and public sector organizations of all types, based on international consensus among expert representatives of the main stakeholder groups and so encourage the implementation of best practice in social responsibility worldwide (ISO, 2010).

Since research of coffee houses have been limited to coffee houses located in Norway no further research has been carried out concerning CSR implementation at Mexican coffee houses.

2.2.2. Interpretation of CSR

Value creation is businesses main aim. This contributes to economical development and growth in society. In a long term perspective both business and society have a common interest in a business performing responsible; developing products and services which aim at meeting social and environmental challenges. Corporations performing social responsible, which inherits a CSR strategy may be divided into three main groups, see Figure 1.

Figure 1. Interpretations of CSR



(UN Global Compact in NorwegianGovernment, 2008-2009)

Interpretation of CSR depends on the approach used. Bromhill distinguish between the three following approaches; the neo-liberal, neo-Keynesian, and radical political economy (Bromhill, 2007). The neo-liberal approach tends to see it fundamentally as the adoption of a set of voluntary policies, codes or guidelines, initiated and driven by the corporation. That may give definitions such as: *“a company’s management of the economic, social and environmental impacts of its activities”*, or *“(…) there is one and only one social responsibility of business - to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud”* (Bromhill, 2007, p. 4). This makes CSR an

intrusion to corporation's primary purpose, although most neo-liberal today admitt that CSR may in the long run be beneficial for the corporation.

A Neo-Keynesian approach (Bromhill, 2007) uses a wider definition, which recognises the active role of a corporation as a stakeholder. CSR is generally defined as an approach which may be voluntarily adopted by corporations, without external regulation. E.g. EU's definition of CSR (Chapter 2.2) emphasizes the voluntary aspect of CSR. The neo-Keynesian recognise, in contradiction to the neo-liberal's, that corporate behaviour may have negative impacts such as market failure, corporate lack of awareness or deliberate strategy. The neo-Keynesians' have another approach than the neo-liberal behind their CSR strategies by ensuring environmental and social sustainability. They are also more inclined to entertain the idea of a positive role for the state in the development and regulation of CSR practice.

Radical political economy, sees global corporations as possessors of enormous power which is often ruthlessly used in their own self interest and this happens frequently at the expense of society and the environment (Bromhill, 2007). Advocates of voluntary CSR are believed to be lacking a critical political economy analysis and therefore fail to fully understand and incorporate a realistic view of the power structures that exists in society and its economic environment. Many of the policies and practices that have been developed to promote CSR are seen as naïve, ineffectual and inadequate. Radical political are concerned that self-regulatory and voluntary CSR policies, which most of today's CSR policies still are, are deliberately designed to deflect attention from external regulation and control of corporate behaviour and power. This is to disguise and legitimate other activities that are socially and environmentally destructive. As an alternative they advocate "corporate accountability". This may be interpreted as "*holding corporations accountable and responsible for the social and environment impacts of their decisions and practices. This includes the impacts, both direct and indirect, on human rights, labour rights, the broader community and the environment*" (Australian Government, Parliamentary Joint Committee on Corporations and Financial Services, 2006 in Bromhill, 2007, p. 5).

2.2.3. Measuring CSR

Corporate Social Performance (CSP) is a rather new concept contributing to increase the degree of preciseness in measuring CSR, which is rather hard due to the impreciseness in the concept and lack of an overall accepted definition. CSP is defined as "*a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships*" (Orlitzky 2000:5). It is a way to systematize organizational ethics and social responsibility, much less the financial performance implications of these issues. There has been created two CSP models which allow us to implement CSR in a systematic fashion. CSP is applicable to both firms and organizations. CSP is based upon the idea of CSR and implemented through so-called "Corporate Social Responsiveness".

Measuring CSR is hard due to the lack of a standardized international legislation, and the variety of interpretations (Ørstavik, 27.02.2008). According to Moon (2004) is CSR hard to define since it is so vague, which also makes it hard to measure, to concretize. Its vagueness also makes it difficult to create a juridical legislation (Moon, 2004 in Bromhill, 2007).

Three main principles within CSR can be discerned at three different levels of analysis: institutional, organizational, and individual. The first principle is *legitimacy*; "*society grants*

legitimacy and power to a business. In the long run those who do not use power in a manner which society considers responsible will tend to lose it" (Davis 1973 in Orlitzky 2000:6). Society grants legitimacy to business, which in turn must avoid abusing its economic power. The second principle is at the organizational level, CSR addresses *public responsibility* in that "*businesses are responsible for outcomes related to their primary and secondary areas of involvement within society*" (Wood 1991 in Orlitzky 2000, p. 6). The third principle is at the individual level, the principle of *managerial discretion*, which states that "*managers are moral actors, within every domain of CSR; they are obliged to exercise such discretion as is available to them, toward socially responsible outcomes*" (Wood 1991 in Orlitzky 2000, p. 7).

Corporate Social Responsiveness is based upon three mechanisms. The first is *environmental assessment*, a scanning process that allows the organization to respond or adapt to conditions in its business environment. The second is *stakeholder management* which includes devices such as newsletters to employees, public affair offices, and community relations programs to support the organization in achieving its strategic objectives by interpreting and influencing both the external and internal environments and by creating positive relationships with stakeholders through the appropriate management of their expectations and agreed objectives. Stakeholder Management is a process and control that must be planned and guided by underlying principles; *issues management*, which is the third, and composed of issues identification, issues analysis, and response development. Issues management represents the boundary-spanning roles (e.g., public-private partnerships) and internal functions (e.g. corporate ethics programs) needed to monitor pressing social issues. Corporate Social Responsiveness links CSR with the outcomes of CSP (Orlitzky, 2000) and provides a way to measure to which degree the CSR is "successful".

2.3. Fair trade and 'Fairtrade'

Fair Trade markets are no new invention, but find their roots more than 50 years ago in alternative trade relations (Jaffee, 2007). The international agreed upon definition and intent of Fair Trade is: "*Fair Trade is a trading partnership, based on dialogue, transparency and respects that seek 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. Fair Trade 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*" (Gooch, n.d.)

It is, as stated in the introduction, important to remember to separate between 'Fairtrade' the concept, FLO the association, and 'fair' trade as in the section above.

Former fair trade was carried out through churches, disaster relief organisations and solidarity groups which made trade relations with refugees and marginalized groups. Marginalized producers got better prices, market access and provided technical assistance. However the total sale of products remained small and the development impact little (Bacon, 2004). The development trade was initiated by charity groups in Europe and the United States, linked through churches, which began to establish markets for the impoverished and displaced people. These efforts, later known as Alternative Trading Organisations (ATO's) increased their numbers during the 1960's and 1970's, establishing networks of church-based sales and stores. Another facet of this approach was the large development of religious agencies

working in the global south; Oxfam, Caritas, Bread for the World. These NGOs helped found partner cooperatives and associations in Southern nations to help marginalised, disadvantaged groups to organize and export their products, especially handicrafts. The ATO's named it "alternative trade", and during time a network of "world shops" developed to sell the handicrafts, and also coffee and tea. The volume of sale was negligible, though did grow rapidly, and soon got status as a movement. Many of these trade groups were associated with the secular activist movements on the political left, especially in Europe, and the solidarity aspects has been crucial in shaping the fair trade identity (Jaffee, 2007)

In the 1970's the Twin Trading was established in Britain as an alternative trading company, registered as charity and membership organization. Its aim was to open up for trade from socialist countries which was blocked. During the 1980's US groups started to sell the "Café Nica", in violation to the official embargo on Nicaraguan imports / under the slogan "trade - not aid". The solidarity groups saw alternative trade as a network which formed part of a much larger criticism of capitalism and the global economic system. The first time the phrase "fair" trade was used was by Pauline Tiffen, from Twin Trading in London, organizing a conference named "Who cares about Fair Trade?" 4th of September 1988. Then the term became synonymous with being anti-capitalist, and representing an alternative or a parallel to the regular market (Jaffee, 2007).

The fair trade era can be said to have been initiated in three phases (Perk, 2006), and this was the first face, consisting of the Third World Shops. The fair trade label "Max Havelaar" was introduced in the second phase. A church led NGO, Solidaridad in Netherlands teamed up in 1988 with a Mexican indigenous smallholder coffee cooperative named Union of Indigenous Communities of the Isthmus Region (UCIRI) in Oaxaca. The result was the launch of the brand Max Havelaar (Bacon, 2004; Jaffee, 2007). After selling coffee in world shops for years, UCIRI wanted access to the European consumers market, to equitable terms and to sell larger quantities. Originally Solidaridad wanted to create its own brand to compete with commercial coffee in mainstream supermarkets; instead it now created the label, Max Havelaar. Coffee sold as part of the Max Havelaar brand required certification, a certificate confirming that the coffee farmers had received a premium price that constituted a "fair return" (Jaffee, 2007). The label was licensed to and made to be used by other existing coffee roasters and retailers who agreed to follow the criteria of fairness in trade. This first certification allowed earlier marginalized groups to sell their coffee on the mainstream market, and alternative trade became 'Fairtrade'. This also created the change from mainly crafts to agricultural products, which today is one of the dilemmas facing the fair trade movement (Jaffee, 2007). Where to go from this point, continue expanding, or maintain at its core values and priorities an alternative market?

The certification initiative spread quickly across Western Europe. Consequently, Transfair in Germany and the Fair Trade Foundation in the United Kingdom were established by the early 1990s, and soon every country had its own national certified office. In 1995 Fair trade coffee had almost 5 % of the market in Switzerland. Much of the sale was from certified coffee sales by recognized brands, but the coffee market continued to be dominated by a few transnational corporations reluctant to fair trade. The following years several alternatives kept developing, not all coffee was sold under the Fairtrade label, and alternative organisations appeared. One was the "Café direct", a consortium of Twin Trading and three other ATOs in Britain. In the United States Equal Exchange was created in 1986. In 1989 forty ATO's joined and formed the International Federation for Alternative Trade (IFAT), with Southern producers

represented, and a number of craft oriented initiative founded the Fair Trade Federation in the United States.

In 1997 all of the national certification entities joined their forces, and created the world wide Fairtrade certifier, Fairtrade Labelling Organisation International (FLO), based in Bonn, Germany. This is an umbrella organisation for all national Fairtrade initiatives. The same year several fledging entities began in the United States, Canada, and Japan under the Transfair name. It was now seventeen certifiers.

Table 1: the Development of an alternative market

Type of trade organisations	Year established	Info.
Alternative Trade Organisations (ATO's)	1960-1970	Church based sales and stores developed
Equal Exchange	1986	USA Fair trade org. which later became USA Fairtrade
Twin Trading	1986	ATO with charity and member org. in Great Britain
Max Havelaar	1988	Netherlands Fairtrade, later to become Fairtrade Max Havelaar
International Federation for Alternative Trade (IFAT),	1989	Four ATO's which merges to create IFAT
Religious Agencies	1995	Also religious agencies started to participate in the alternative market, establishing so called "world shops"; Caritas, Oxfam, Bread for the World, a.o.
Transfair	1990	Fairtrade Germany
Fairtrade Foundation	1990	Fairtrade Great Britain
Fairtrade Labelling Organization (FLO)	1997	World wide umbrella Fairtrade certifier
Fairtrade Max Havelaar	1997	Fairtrade Norway
FLO Cert. Ltd.	2004	Independent Certification Unit established

(Jaffee, 2007; author)

With more certifiers, new products emerged; bananas, tea, cocoa, sugar, honey, rice, and orange juice were introduced at the European market. The products were strongly promoted with campaigns, and the results were dramatic. Fairtrade bananas captured 50 % of the Swiss national banana market. During the end of the 1990s the market started to stagnate. The introduction of Fairtrade coffee at the United States market, which consumes about one-fifth of the world's coffee, the Fairtrade sales were expected to start to increase again, though results did not appear as expected. The large retailers were still reluctant to participate.

Activists started campaigning against Starbucks, which dominated the U.S. speciality coffee market, specialty coffee being crafted quality coffee-based beverage, which is judged by the consumer (in a limited marketplace at a given time) to have a unique quality, a distinct taste and personality different from, and superior to, the common coffee beverages offered. The beverage is based on beans that have been grown in an accurately defined area, and which meet the highest standards for green coffee and for its roasting, storage and brewing.” (SCAE, 2010). Global Exchange demanded Starbucks to purchase Fairtrade coffee, though Starbucks resisted, claiming that both supply and quality was inadequate. However in 2000 Starbucks agreed to sell Fairtrade coffee in all of its 2.300 U.S. stores. Though was no agreement concerning how much, or for how long, set. The only promise given was to sell Fairtrade coffee. All other retailers had to sell a minimum of 5 percent to be able to use the label (Jaffee, 2007).

Figure 2: the Fairtrade label



(FLO, 2010-3)

Since then the Fairtrade market has grown dramatically. In 1999 U.S. imported 1, 3 million pounds coffee. In 2005 the import had increased to 45 million pounds, with a value of 499 millions USD. More than 350 companies roast fair trade certified coffee and it can be purchased in more than 30.000 stores and cafés. Coffee was the first certified Fairtrade product. Coffee is considered the ideal fair trade product since it undergoes very few transitions from harvest to grinding, and changes hands fewer times than many other commodities. Green (unroasted) coffee beans may be stored up to a year without being harmed in quality (Jaffee, 2007). Fairtrade Max Havelaar Norway is one of the 21 national offices.

It was established in 1997, due to the increasing numbers of other national offices world wide, to promote Fairtrade products to Norwegian consumers. Fairtrade Max Havelaar was funded as cooperation between twelve Norwegian organizations. The first Fairtrade product to be sold in Norway was Fairtrade Coffee. Since then it has developed considerably, and today one can find tea, bananas, roses, rice, orange juice, chocolate, wine, sugar and honey in addition to the coffee. According to today’s development the demand is assumed to continue to increase. Fairtrade Max Havelaar Norway has two main targets; to work towards suppliers and the grocery industry to increase numbers of Fairtrade products in Norwegian grocery stores, and to promote Fairtrade in Norway through active advertising and information. This is fulfilled with the help of funding and support from civil society organizations (FLO, 2010-3).

Today’s consumers are becoming more concerned how their products are produced, and Fairtrade Norway experienced in 2009 a growth in 20 percent, and 70 percent of the Norwegian populations are familiar with the certification (Fairtrade, 2009-2010).

2.3.1. FLO-Cert

In 2004 the former FLO Certification unit became an autonomous private entity (FLO-Cert Ltd.) The company implemented a new cost structure for certification that includes an annual

membership fee charged to producer organisations equivalent to 0,45 percent of the FOB value (Free on board (FOB) means the sellers' responsibility is up to the loading port henceforth all freight, carriage and insurance costs to be borne by the buyer) of the previous year's Fair trade sales, in addition to a initial certification fee charged at both the primary (cooperative or producer organization) level and at the secondary (producer association or network) level (Wise, 2005, p. 13).

Photo 1: MICHIZA's export sacks with FLO id nr.



(Source: author, 2010)

The FLO Cert standards are based on a common set of principles for its seven certified commodities. FLO Cert. monitors the traders and the producers and de-certifies those who fail to uphold the standards (Murray, 2003). To be able to sell coffee which is Fairtrade labelled (or actually FLO-Cert labelled), one must hold certain standards. The criteria for Fairtrade producers are that all producers must be small, family-based growers. The producers must be organized into politically independent democratic associations, and pursue ecological goals by conserving natural resources and limiting chemical input use. The criteria's

for Fairtrade coffee importers is that purchases must be done directly from grower organizations using purchasing agreements that extend beyond one harvest cycle. Payment is the FLO minimum price (1.25 USD / pound of Arabica coffee) and a social premium (0, 10 USD/ pound) above this minimum, or pay the world market price, whichever is higher. Certified organic coffee receives a further premium (0, 20 USD/ pound).

The importers must offer pre-financing equal to 60 percent of the contract value on request (Murray, 2003). The minimum price covers the production costs; the social premium is for development purposes. Fairtrade is only for small-scale producer cooperatives, which have a democratic, participative structure. Partial payment are to be paid in advance to avoid indebtedness, and long term trade relations that allow proper planning and sustainable production are a condition.

In addition to the above mentioned terms does many Fairtrade NGO's and ATO's provide further organisational support to producer organisations (Ronchi, 2002). Fairtrade is being criticized for being too eager for growth that the certification standards are losing its power; *"Fairtrade is an edifice, built on decades of reflection and hard work by activists and producers in North and South, and the certifier is the gatekeeper entrusted with maintaining and expanding that legacy. Control over access to the single, trademarked Fairtrade label affords the certifier significant power"* (Jaffee, 2007, p. 211). Therefore Fairtrade today needs *"(...) independent watchdogs – and intra-movement organizing – to keep Transfair and Fairtrade accountable and avoid further co-operation of the Fairtrade system by the transnational firms"* (Jaffee, 2007, p. 212).

This issue of Fairtrade's expansion has risen especially in relation to Starbucks certification; *"When Starbucks started to sell Fairtrade coffee, activists had got much more than they ever had hoped for, but on the same time, much less"* (Jaffee, 2007, p. 200) If expanding; imposing its values on a constantly larger market, it will need to turn even more commercial than it already has. Its cooperation with Starbucks has gotten much criticism concerning Fairtrade losing its integrity, though has increased the amounts of certified coffee sold, helped several producers. Is the risk of losing its initial aim and integrity worth challenging, if Fairtrade constantly reaches out to a larger audience hence "helps" more producers? This is though challenged by those who believe Fairtrade needs to develop in order to change the principles of trade, and those believing that Fairtrade jeopardizes its initial aim. The critique is directed especially towards the contradiction between getting influence, or maintains integrity; where do Fairtrade want to head, and on which cost? *"Fairtrade activists need to dance with the large corporate traders if they are to make a dent in the market, yet these corporations bring to the table a very different set of interests and a disproportionate amount of power"* (Jaffee, 2007, p. 204). *"Beginning with the Starbucks deal, however, the definition of fairness came to depend on whom Transfair (US Fairtrade Organization) was negotiating with. Such a personalized approach raises questions about the checks and balances that exists in the certification system"* (Jaffee, 2007, p. 208) These are interesting questions and issues which have appeared, though are they not directly relevant for this thesis. On the other hand they touch upon the sustainability of Fairtrade, depending on which direction it chooses to continue in the future. Depending on the direction, it will have different effects for its development, and future pressure, as well as which role corporations play in the development of the markets and as potential development enablers.

2.3.2. Benefits of Fairtrade

According to some studies, Fairtrade has made considerable contributions to the lives of the rural poor in the South (Aranda, 2002; Bacon, 2004; Boersma, 2002; Jaffee, 2007; Murray, 2003; Ronchi, 2002; Wise, 2005). Fairtrade brings concrete, positive benefits to its participants, and according to a report by Murray (2003) based on seven case studies on farmers carried out in Mexico and Central America in 2002, most farmers the need to increase the size of the Fairtrade market. Since the report was launched in 2003, the markets have both increased and changed. In 2003 producers were paid double the conventional market price, and benefits were gained compared to the average farmer, according to Murray (2003) is the survival of the societies; the extended families, communities and villages often of greater importance than the single individual. Fairtrade's contribution to the survival of these social systems has, according to Murray (2003), been overlooked.

The most direct benefit for the small-scale farmer from Fairtrade is the higher price, the price guarantee offered and the environmental preservation (Bacon, 2004). Also Aranda (2002) presents the price as the most direct benefit of selling Fairtrade coffee; however the producers present a lack of knowledge about the average price level, and the connection between their price and being organized within Fairtrade. According to Bacon (2003, p. 504) *"access to certified markets lead to significantly higher prices paid to farmers"*. Certification has a greater influence on price than altitude (quality). Quality has been improved, since the Fairtrade system in general promotes a strategy of quality improvement among the producers, so participation in fair trade has caused the organization to be more demanding with respect to quality, and to be more careful in the processing of coffee, also during production (Aranda, 2002).

According to Jaffee (2007) cases with several payments contribute to development, compared to the normal one/year payment the intermediaries practiced. The certified farmers also report greater access to traditional credit sources through their cooperatives improved image. The certification gives the impression that the cooperative/farmer is subject to external monitoring and also demonstrates initiative and a capacity to enter new market niches. The Fairtrade price guarantee, and increased access to credit, has contributed to a greater economic and social stability for the coffee farmers (Jaffee, 2007; Murray, 2003). The fixed price provides a certainty of income, which someone who is not a member cannot count on. Another advantage is the access to training as well as enhanced ability to improve their coffee quality. Farmers get access to participate in several training projects, like the sustainable coffee program (for organic producers and those in transition), and to receive technical assistance that lead to higher production. The technical assistance could be depulping (removing of the fruit meat), fermentation and drying processes, all these leading to a coffee with a higher quality. Most small-scale farmers have not even tasted their own speciality coffee, nor know what the consumers want. The long term relationship between farmers and Fairtrade improves the quality of the feedback to the farmers. Moreover, the development of new networks and contacts among participants is an advantage. New networks contribute to move the farmers development process ahead, and not at least an increased self-esteem when being visited by organic inspectors, buyers and even some consumers (Aranda, 2002).

The benefits listed above are mainly individual benefits, but there are also more direct benefits for their families. According to Murray (2003) research demonstrate improved well-being of the individuals and their families. Although poverty persists among the growers, the standards of living have improved, despite the dramatic decline in the global coffee market. But there are other benefits apart from increased income. Farmers have access to a wide range of projects, sponsored by their cooperative which contributes to increased access to food security through organic farming and self-subsistence production. Other projects may be training in marketing assistance to develop alternative sources of income such as production of artisanary, establishment of community stores, bakeries, improved production of basic grains and other enterprises. One of the most remarkable benefits has been the increased level of education among the children. An increased number of children have been able to attend higher education, even up till university level as a result of MICHIZA's emphasis of the importance of education. All these factors contribute to increased family stability. At the community level there have also been substantial benefits from engaging in Fairtrade. In several cases has the social premium which Fairtrade buyer pays to the cooperatives has been used for mutual benefits, and strengthening the community ties (Jaffee, 2007). The social premium is rather new, and still has potential to evolve. So far it has been used to building latrines and the purchase of fuel-efficient household stoves, building of educational centre for training in community development, learning appropriate composting technologies, intercropping of coffee and legumes, animal husbandry and alternative food and cash cropping and tools to facilitate the coffee production. Other community benefits may be the possibilities to assist families with finding work, in contradiction to migration. This contributes to cultural revival through recuperation of pride in being indigenous, as ancient residents of their land and country. The social premium has also improved the natural environment in participating communities. Fair Trades' organic emphasis has promoted "*improved soil conservation and water management practices as well as the increased consciousness about the importance of conservation in general*" (Boersma, 2002, p.19 in Murray, 2003, p. 11).

2.4. Sustainable Development and Livelihood

Defining CSR is often done hand in hand with the sustainability aspect; a CSR strategy is supposed to have a long term engagement, often interpreted as sustainable incorporating social values such as preserving the environment and be predictable. According to Haukaas (2006) a successful CSR approach is often even synonymous with sustainable development within that corporation's project, which underlines the interpretation, that sustainability is interlinked with duration and survival of the strategy. The different projects varies from corporation to corporation, but a typical development project which companies get involved in is educational programs about HIV/Aids to the employees at the corporative branch in e.g. Africa. Such a project involvement may improve the health to the local employees, and benefit the local population through increased knowledge. Other alternatives for companies are to cooperate directly with e.g. UNICEF, Save the Children, donating a percent of surplus or e.g. this though does not create a partnership, and might not even be sustainable. Introduce Fairtrade labelled products in their shops or the cantina, may though be more sustainable, e.g. as Fairtrade Municipalities as mentioned earlier.

According to Mazumdar (2008) CSR and sustainability are not about obeying the law, but a business obligation towards their shareholders. Businesses need to be seen as partners in their communities, that they contribute to a mutual win-win situation (Rogan, 2009), and not just profit centres – this is and should be in the interest of all stakeholders; any affected person or group. But what is sustainable in the eyes of a firm?

Sustainable development is normally defined by Brundtland's (1987) definition to World Commission on Environment and Development (WCED) from 1987. According to the Brundtland commission is sustainable development: *"(...) development that meets the needs of the present without compromising the ability of future generations to meet their own needs"*. *"(...)meeting essential needs depends in part on achieving full growth potential and sustainable development clearly requires economic growth in places where such needs are not being met"* (Brundtland, 1987).

Sustainable development requires meeting the basic needs of all; meet their aspirations for a better life, both for humans and for nature. Hence, sustainable development is about resources, assuring that farmers get the access they need, without compromising the next generation's access and thereby not the sustainability of the resources. With coffee production a focus is for instance on; organic coffee production, soil preservation; not to deplete the soil. This is especially important since the coffee bushes have a long life span, and often are transferred from father to son/daughter in lack of other occupations in the rural outskirts. The term sustainability do not only reflect on nature and environment but also tries to ensure justice between rich and poor, that the rich should exploit the resources or ignorance among uneducated. Fairtrade ensures the farmers a fair price, but also a production which makes continued production more likely, year after year. But it does not solely focus on a sustainable production towards the environment, but also towards the social development, to a sustainable livelihood. This is in line with the Brundtland commissions work on sustainability, where there is a focus on the mutual dependency between ecological, economical and social dimensions of development. Moreover, it is a point of connection to CSR, which is supposed to show a balanced concern between all three of these dimensions (Haukaas, 2006).

According to the Norwegian White Paper nr. 10 (Norwegian Government, 2008-2009) development aid by itself does not create long lasting development, economical growth is a condition, and this may be provided through CSR and e.g. Fairtrade. Active and dynamic business and commerce establish the best conditions for fighting poverty and reaching development. Actual development is dependent on an economical development. The World Business Council for Sustainable Development (WBCSD) states; “*CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large*” (Mazumdar, 2008), this also coherence with Fairtrade’s aim.

Sustainable livelihood (SL) was also first introduced by the Brundtland Commission on Environment and Development, as they introduced the concept of sustainability (Krantz, 2001). SL was introduced as a means for linking socioeconomic and ecological considerations in a cohesive, policy-relevant structure. The concept later got expanded by the United Nations Conference on Environment and Development (UNCED) in 1992, in relation to Agenda 21, which advocated for achievement of sustainable livelihoods as a broad goal for poverty eradications (Krantz, 2001, p. 6). SL is an attempt to go beyond the conventional definitions and approaches of poverty eradication. It inherits a broader approach to what is actually poverty, and does not only focus on income, but includes aspects such as social inclusion and vulnerability (Krantz, 2001). In 1992, Chambers and Conway defined sustainable livelihood as: “*A livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living: a livelihood is sustainable which can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and which contributes net benefits to other livelihoods at the local and global levels and in the short and long term.*” (Chambers and Conway 1992 in Krantz, 2001, p. 6). A more modified definition proposed by Institute of Development Studies (IDS), and used for this thesis’ interpretation of sustainable livelihood is:

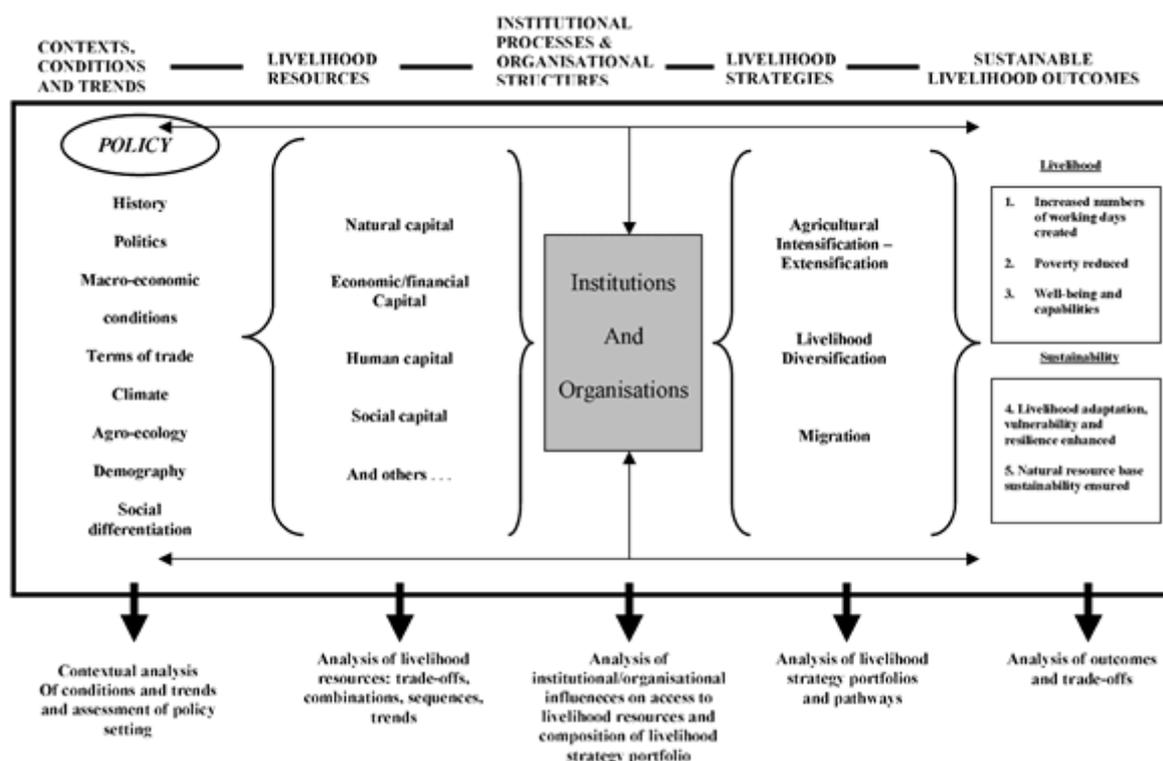
“*A livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks, maintain or enhance its capabilities and assets, while not undermining the natural resource base*” (Krantz, 2001, p. 8).

Figure 4. was outlined by the IDS team as an outline to a tentative framework to analyse sustainable rural livelihoods. According to Krantz (2001) has there been developed several interpretations and elaborations of SL concept, which has led to that today a number of development agencies apply those for poverty eradication. The emergence of SL has come as a response to earlier negative experiences with conventional approaches to poverty eradication, though also as a result of recent findings which has increased the knowledge and understanding of the nature of poverty.

There are there three insights concerning poverty which must be taken into consideration when applying an SL approach. The first is that that economic growth is essential in poverty reduction, but the poor must be able to take the advantage of the expended economical opportunities. Secondly; being conceived in poverty is not merely a question of low income; it may also include other dimensions such as bad health, illiteracy, lack of social services or a general feeling of powerlessness or vulnerability. And thirdly; the poor themselves know

their own situation the best, and needs to be involved in design of policies and projects to improve their living conditions (Krantz, 2001).

Figure 3: Sustainable rural livelihoods: a framework for analysis



(Scoones 1998 in McDowell, 2002)

2.5. Merging CSR, Fairtrade and sustainability

According to Gooch (n.d.) the principles that underpin CSR – what a business should recognise, understand and seek to improve their environmental and social impacts – are principles that the fair trade movement supports, though are there still some fundamental differences between the two approaches: “*where CSR seek to make the trading environment benign, without challenging the status quo, Fair trade advocates greater equity in the international trading system. CSR relies of its power within a supply chain (usually as purchasers) to force compliance with standards that have been developed with minimum local consultation. Fairtrade develops standards through partnership with suppliers and involves them in monitoring impact. CSR aims to help companies voluntarily comply with already agreed and accepted norms (UN Universal Declaration of Human Rights) which continue to be widely flouted. Fair Trade objectives go beyond legal compliance and Fair Trade advocates for stronger regulatory systems to improve the social impact of mainstream business practices. CSR can result in the further marginalisation of small businesses when it involves unreasonable demands, not based on local understanding. Suppliers, especially small business, may be eliminated from the supply chain either because they are perceived as representing a ‘risk’ or are not able to prove their compliance with certain set standards. This short-sighted approach can actively increase poverty. Fair Trade aims to, and does, improve livelihoods of small producers and their families*” (Gooch, n.d., p. 2).

Further she states that fair trade experiences provides good practice models for CSR; they take a pro-active approach to socially responsible business practices, focusing on the positive benefits of sustainable business practices for all. *“Fair trades success with coupling profitability and economic effectiveness with international development objectives makes it a particular valuable model to inform mainstream business on how to move their CSR activities beyond rhetoric towards impact”* (Gooch, n.d., p. 2)

CSR is often carried out as a strategy to improve a corporation’s actions, towards being more responsible, environmentally aware and human friendly. A corporation with a CSR acts not only to maximise profit, but also to behave in such manner future generations will have the same possibilities for resource exploitation and profit making. Your actions should be part of a mutual win-win situation. This clearly links up with fair trade principles; when producing something and selling it, you should get a decent wage. In many cases the coffee producers are selling coffee getting paid less than the production cost. Yet they have no choice but to sell it, because they need the cash to buy other merchandises with; e.g. medicines. Fairtrade is about paying a decent price to obtain a decent life; to make a sustainable livelihood so that one is less vulnerable to natural disasters such as drought or floods and illness. But sustainable livelihood does also imply development, improvement of living conditions, payment which follows normal inflation. This is the aim of Fairtrade. Is it possible to merge CSR with fair trade through Fairtrade?

According to Perk (2006) corporations’ meet three main challenges when turning fair trade to CSR. This is done when a corporation aims at acting more responsible, these days this is often done in correlation with consumers demand, and to profit on the market forces. Fairtrade has also become a market tool. Implementing Fairtrade may be used as a form of advertisement for a responsible corporation.

When turning Fairtrade to CSR the corporations meets several challenges; the first being how to actually cooperate with local organisations? It changes the power relations between the corporations and the organisation and creates a mutual dependency. When a corporation’s cooperate with Utz this improves trading conditions and price transparency, but is this sufficient guarantee for a sustainable production, showing corporate social responsibility? A following question is also if fair trade is sustainable? According to Perk (2005) is one solution when wanting sustainability to increase the price, and if one actor does that, others will follow. Though others believe the market not will follow, since Fairtrade as a concept not yet is strong enough. That is the reason why Fairtrade’s minimum price only has increased by 0, 4 USD in fifteen years. It has not increased parallel with normal inflation, believing it would loose its market share, and maintaining it has been more important than increasing it (FLO, 2010-3). Another reason is concerning demand and supply; since ICA fell, ICO has not been able to control the coffee market (see chapter 4.2.1.). The production is too high, hence the price decrease. The result is that the producers increase their production in order to survive.

The second challenge when Fairtrade is applied as CSR is the claim for a difference; documented improved life quality, only then it is CSR. A paper stating a code of conduct is not sufficient; to materialize it is the real challenge. A better product requires a higher price. At the moment the New York stock price, the so called “c” price, is higher than Fairtrade’s minimum price. The *real* price is often a much higher price. The market lacks a social framework which tells the actual social and environmental costs of production. This is what makes CSR necessary, to guarantee a fair price providing the opportunities for a sustainable livelihood. In addition to the uncertainty concerning the price, governments in developing

countries are often not operating according to principles of “good governance”; the authorities are often corrupt or failing to meet certain standards desired by the international community. There is often a lack of legal framework or labour rights – or at least the rights are poorly implemented. Moreover, the political climate can be a challenge, so that civil society is careful in speaking up for their rights. A CSR strategy defining better trading conditions merely encourage and adds a new social framework to the market, where the prices are more accurate to production costs. Fairtrade gives an indicator on the actual production costs, and a price level for normal social development, and a sustainable livelihood. CSR also does this, though maybe not with an accurate price, but by guaranteeing that the corporations actions not over exploit the local resources, but acts in such manners that both the corporations/importers and producers mutual benefit, creating a partnership.

The third challenge when moving from a CSR to Fair trade is that the prices need to be coherent with the product, better prices – a better product. For small-scale coffee producers this signifies that the additional money should be synonymous with improved environmental care and labour conditions, and not lost in inefficiency; the farmer needs to be a business partner (Perk, 2006). However, a pertinent question to ask is whether the local farmers have the basic skills required to be a business partner. One challenge is the potential lack of education. A small-scale farmer still lives in the rural areas, where higher education is almost non-existing due to the lack of schools. In many areas, there is only access to primary school education, even most children today attend school, and it is only up till secondary education. This is where Fairtrade can make a difference; providing courses, promoting education; the framework, and arguing and supporting the producers’ cause.

Apparently, auditing and reporting CSR promote good business citizenship, and it is even gaining approval. According to Institute of Chartered Accountants in India, which has published the book ”Sustainability Reporting” sustainability reporting has become a general practice in several countries, to mention some; such as Australia, USA, Japan, Russia, Latin-America, Africa and Asia (Mazumdar 2008). The sustainability is, however, as mentioned earlier, threatened by the lack of coherent reporting and implementation of CSR due to lack of international standards and the resent blooming of the concept (Ørstavik, 2008). According to Mazumdar (2008) CSR may be used as a controlling factor for uncontrolled development, which present as a possible risk according to Mazumdar. This will satisfy the needs of the present generation and at the same time ensuring that the resources of future generations is not jeopardized. The agenda of sustainability underlines the importance of integration of social, environmental and ethical concerns into business processes. It has also been shown that companies committed to ethical behaviour perform better financially, based on long term duration in comparison to those lacking such commitment (UK’s Institute of Business Ethics, Rogan 2009, Weyzig 2004). Some even argue that it is not only a competitive advantage, but a necessity for a corporations sustainability (Weyzig, 2004). The concept of IKEA, the Swedish furniture giant was founded on a low-price offer in home furnishings, but IKEA also emphasizes the principle of low price, but not at any price’. Another obstacle for the sustainability of CSR is that a firm which has a CSR profile does not necessarily implement its profile/strategy into practice. There have been cases where corporations with a prominent CSR profile, have had incidents which has weaken the corporations position as a responsible corporations.

So, considering the dilemmas above, is it possible to measure whether CSR provides sustainable development? Which parameters may be used? The different interpretations of CSR and the lack of standard make it hard to measure, as mentioned above. However, if CSR

is being operationalized through trade with Fairtrade products, it may be measured through the effect of the Fairtrade production. Seeing at sustainable livelihood, there are certain capabilities to measure, which I will come back to later.

As mentioned earlier several impacts studies have been done on Fairtrade's effect on poverty alleviation and empowerment (Aranda, 2002; Bacon, 2004; Boersma, 2002; Wise, 2005; Murray, 2003; Ronchi 2002). CSR is performed by corporations, big and small. CSR imply voluntarism and initiative based on your responsibility, though it has also evolved to a marketing tool, to increase business (NorwegianGovernment, 2008-2009), which the corporations naturally are willing to take the benefit off. This makes it harder to appraise whether they apply CSR strategies to actually be a more responsible corporation, or whether it is due to a demand by the consumers to "stay in the game". However, one may ask whether it really matters for which reason the corporations apply it? If the corporations see a mutual benefit, it is more likely that they maintain the trade relations, and it eventually will provide sustainable change.

The corporation takes a social responsibility which goes beyond mere profit, although the company may find that CSR pays off through several positive effects for the corporations such as a functioning as a marketing tool, increased legitimacy, transparency. IKEA is not an isolated example in the Norwegian context. There are several other corporations who work like IKEA; Nortura, Statoil, Skanska, ABB, Telenor, Hydra, Orkla, Mesta, Elkem, BKK, Veidekke are among others (NHO, 2010).

"When Starbucks started to sell Fairtrade coffee, activists had got much more than they ever had hoped for, but on the same time, much less" (Jaffee 2007:200). As previously mentioned, the entry of Starbucks on the Fairtrade market raised several dilemmas for FLO. Normally when a new retailer enters, they increase their sale; a minimum set by FLO was 3 percent. After five years Starbucks still had not increased their sales above 3 percent. Considering the size of the chain, it meant that the Fairtrade coffee only was available a few days a year. To the group of fair trade supporters, the goal was clear; all gourmet coffee should eventually be Fairtrade coffee. For Starbucks the Fairtrade coffee represented a niche market; a variety to the other coffees. It was as much a contribution to the company's powerful brand as a social responsible corporation. Several other big U.S. global coffee retailers followed, and so did a numbers of dilemmas; how to enter the market without loosing its integrity as a fair trade brand (Jaffee, 2007)?

Fair trade is normally promoted to consumers in the North, appealing to their conciseness, that when buying Fairtrade you participate in the battle against the unfair global trading systems with historically inequitable terms for Southern producers of basic commodities. The different stakeholders; importers and consumers, naturally view fair trade differently; as a "market-breaking" force, a "market reform" device, or a "market-access" mechanism, depending on their site of placement. The last 5 years fair trade sales numbers has increased by 40 percent a year! The sales in 2008 worldwide amounted for almost 2.9 billion USD, a 22 year-to-year increase. According to FLO is it now 746 certified producer organizations in 58 producing countries, representing more than 1 million farmers and producers, including their dependents more than 5 million people benefits directly from the FLO initiative (FLO, 2010-2).

The speciality coffee market which has developed over the latest years, with shade grown, bird friendly, organic, and fair trade coffee (Aranda, 2002) provides the farmers with a higher price due to the extra labour needed. "Shade-grown coffee, in contrast to sun-grown or

"technified" coffee, provides food and shelter for songbirds, as well as other animals and plants. The use of shade trees provides natural mulch, which reduces the need for chemical fertilizers. These trees protect the coffee plants that grow beneath them from rain and sun, help maintain soil quality, reduce the need for weeding, and aid in pest control. Organic matter from shade trees reduces erosion, contributes nutrients to the soil, and prevents metal toxicities" (BirdwatchersDigest, 2010). Organic coffee is grown without any pesticides, in an environmental friendly manner. Due to the crisis in the coffee market CEPCO, another Mexican coffee cooperative, developed a strategy to manage at a difficult market; a total quality on all it produces and exports – a high quality speciality coffee which is organic grown that protects the health of the consumers; "a total quality" in all parts of the production chain. Further, the coffee production must not be a threat to the environment and must contribute to sustain the life of the coffee producing families. Together, these qualities lead to what can be called "sustainable coffee" (Aranda, 2002).

When surviving on the specialty coffee market today; organic production has a direct relationship with the work that the farmers do on their farms. Therefore, fair trade is in many cases interlinked with the idea of organic production (Aranda, 2002) . Today's speciality market of coffee is merely based on organic production, which is a sustainable mode of production. Hence, the "sustainable cup" is closely linked to the "fair cup".

As mentioned above, organic grown coffee is produced without any pesticides or artificial fertilizers, instead is natural compost and water used. Artificial fertilizers are normally very expensive, though it increases production although just for a limited time. In traditional agriculture, the production is moved to a different location, in order to keep the soil rich. With the introduction of fertilizers the farmers no longer had to do this. However, the new cultivation practices depleted the soil, and left the farmers more dependent on artificial fertilizers.

Coffee grows as a bush with a life span of 30-40 years. Moving the bush around is no option, so to maintain production and not deplete the soil Inmecafè (see chapter 2.4) provided all producers with artificial fertilizers for free. However when Inmecafè erupted the supply of fertilizers stopped, and the farmers could not afford to buy the fertilizers them selves, the bushes where dependent of the fertilizers, and the production decreased or failed. The solution was transforming to organic production. A transformation takes 2-4 years of hard work, land less production. It is a time consuming process, though the result is a coffee with higher quality and price due to the organic production. Another benefit is the environmental preservation and sustainability when producing without pesticides. Organic production correlates easily with Fairtrade's goals; a more sustainable production does also correlates with the corporations (coffee houses) CSR strategies.

By 2003 FLO had registered 300 coffee grower associations representing 500.000 small-scale growers in Latin-America, Africa and Asia; this represented about 30 percent of the world's small-scale producers of coffee. About 84 percent of this comes from Latin-America, Mexico being by far the single largest national supplier (Murray, 2003), most of these produces organic, shade grown coffee.

2.6. Theoretical Framework

The theoretical framework presents the analytical framework for the thesis. It is based on the theories presented in the literature review. The findings will be analysed according to the framework:

In “Our Common Future” from 1987, the mutual dependency between ecological, economical and social dimensions is emphasized as vital aspects for achieving sustainable development. However “(...) *meeting essential needs depends in part on achieving full growth potential and sustainable development clearly requires economic growth in places where such need are not being met*” (Brundtland, 1987). CSR is a concept which integrates social and environmental concerns in corporations business operations and in their interaction with their stakeholders on a voluntary basis (Kalstad, 2006). As I see it, this fusion may provide sustainable development as described by Brundtland (1987). Businesses role in development can not be undermined, and economic growth is a prerequisite for sustainable development (NorwegianGovernment, 2008-2009).

CSR aligns social, environmental and financial success for the corporations. However, is it sustainable, may consumers or producers rely on it? Blowfield (2005) suggests that CSR is be a way to bridge business and development, highlighting new partnerships between public, private and civil society, taking all stakeholders into consideration and providing mutual benefit.

There is an assumed relationship of mutual dependency between business and development, though the empirical findings seem to be absent. This research will try to highlight this through investigating both producers and coffee houses. As shown through Figure 1, there may be different interpretations of CSR, which makes the return differ. By investigating how the corporations interpret CSR in light of Bromhill’s (2007) elaboration of the different approaches; neo-liberal, neo-Keynesian and radical political, the outcomes of CSR will be measured through the implementation of Corporate Social Performance. This is according to Orlitzky (2000) a way to systematize organizational ethics and social responsibility. By implementing CSR strategies, businesses increases its influence; CSR functioning as a marketing tool, might as well lead to a mutual win-win situations (NorwegianGovernment, 2008-2009) This may happen when the corporations CSR strategy with take Fairtrade sales.

Assuming Fairtrade is used as a tool for achievement of CSR strategies, Sustainable Livelihood will be applied as theory for measuring the relationship between Fairtrade and CSR, and provision of sustainable development, both at corporations and among producers. According to several studies Fairtrade contributes to considerable improved living conditions among rural poor in the South (Aranda, 2002; Bacon, 2004; Boersma, 2002; Jaffee, 2007; Murray, 2003; Ronchi, 2002; Wise, 2005). The most direct benefit for small-scale producers is a minimum price, an averagely higher price, a higher degree of life security, and possibly a more sustainable livelihood (SL). This will be investigated though measuring sustainable livelihood. For measuring SL Scoones (1998) and Krantz (2001) capabilities, assets and activities will be used: “*A livelihood comprises the capabilities, assets (stores, resources, claims and access) and activities required for a means of living: a livelihood is sustainable which can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and which contributes net benefits to other livelihoods at the local and global levels and in the short and long term*”(Krantz, 2001).

According to Gooch (n.d.) does the principles that underpins CSR – what a business should recognise, understand and seek to improve their environmental and social impacts – are ones that the fair trade movement supports. The fair trade experiences provides good practice models for CSR; they take a pro-active approach to socially responsible business practices, focusing on the positive benefits of sustainable business practices for all. *“Fair trades success with coupling profitability and economic effectiveness with international development objectives makes it a particular valuable model to inform mainstream business on how to move their CSR activities beyond rhetoric towards impact”* (Gooch, n.d., p. 2)

3. Research area and contextual overview

3.1. The United States of Mexico

Figure 4: Map of Mexico



(CIAworldfactbook, 2010)

The United Mexican States (Estados Unidos Mexico) is a federal institutional republic in Central America. Mexico consists of thirty-one states and a federal district, Mexico City, the capital. The country borders the United States of America, Gulf of Mexico, the Caribbean Sea, Belize, Guatemala and the North Pacific Ocean. The country is shaped as a triangular highland area surrounded by mountains. Depending on altitude, the climate varies from subtropical to tropical. The driest parts are the highland, and hottest and most humid is the coastland in East. Earthquakes are rather frequent, and a possible threat to especially the poor (CIAworldfactbook, 2010).

Mexico has a size of 2000 million sq. km., which makes it the 14th largest country in the world. With an estimated population of 109 million in 2009, it is the 11th most populous country in the world, and the most populous Spanish-speaking country. With 62 ethnic minority languages sidelined with the Spanish, it has several ethnic groups. The biggest indigenous groups are Nahuatl, Yucatecos, Zapotecos, Mixtecos, Tzotzil and Otomi. 88 percent of the population is Catholics, but there are 6 percent Protestants, Mormons and Jehovah's witnesses, and 6 percent others (CIAworldfactbook, 2010).

Before the Spanish colonization, the Indian culture with Aztec's and Mayan was dominating Mexico, with a population number of 4, 5 millions in 1492. Spain with Cortés conquered Mexico in 1519-1522 and created the colonial country "New Spain", which also included large parts both in the North and in the South of today's Guatemala and United States of America. Mexico regained its independence after the war in 1810-1821, though big land areas were lost to the U.S. during the following war in 1846-1848. The population continued to live in great poverty and the increasing class distinctions provoked big social and political changes the following years. The revolution and civil war in the time period 1910-1920 made farmers revolts against the governments, lead by Emilio Zapata and Pancho Villa. The revolution

produced a new constitution in 1917 providing land reforms and nationalisation of resources, though basic social problems were barely solved.

Since 1929 Partido Nacional Revolucionario (PRI) (The institutional revolutionary party) has dominated the country's politics. In 1994 the indigenous population in Chiapas initiated armed riots against the government's economical politics, which might have contributed to that PRI lost their majority in the Congress in 1997. In 2000 they lost the Presidential mandate after being in power for 71 years. The new president, Vincente Fox from the conservative Partido Acción Nacional (PAN) introduced several unpopular economical reforms, and in 2006 he lost his presidency to Felipe Calderon, also from PAN (Cappelen, 2010).

Mexico has since 1996 shown a remarkable initiative in the battle against corruption, and has hence signed the anti-corruption agreements of Organisations of American States (OAS), OECD and UN. World Economic Forums report; "Mexico Competitive Report" from 2009 still presented higher levels of corruption in Mexico than expected according to The World Bank anticipation. Transparency International places Mexico as nr. 72. off 145 in corruption rankings in 2008. Mexican corruption has adapted to a more institutionalized shape within the economical sector, often including local politicians. The main problem is not lack of legal framework, but lack of implementation. US State Department confirms several violations of basic human rights; among others lack of transparency in the legal systems, social and economical discrimination of indigenous, illegal land expropriation, abuse of demonstrators, child labour, corruption, attacks on journalists, inadequate criminal prosecution, political motivated murder and arbitrary arrests (NorwegianEmbassyMexico, 2010b).

In spite of Mexico's international role, it is a country with much delayed implementation of several international conventions and treaties; in particular ILO-convention nr. 169 about indigenous people. With a country with a large proportion of indigenous people it would be natural and necessary to involve these in economical development projects in their traditional living habitat. Mexico has ratified 70 ILO conventions. Two of the eight core conventions are still not ratified due to skepticism by the government and because they (partially) contradict the national legislation: Convention 98 concerning the Right to Organize and Collective Bargaining Convention and Convention 138 Minimum Age Convention (NorwegianEmbassyMexico, 2010b).

ILOs Committee of Experts on the Application of Conventions and Recommendations has, among others, expressed a concern about violence and arbitrary arrest of union members. The same applies to the right to freedom of association that is constantly made difficult because of the special clauses and conditions of employment contracts, such as trade union monopoly in state institutions. National environmental legislation is also not satisfactorily enforced. A solid institutional and legal framework is established, but the country's desired environmental profile is challenged by oil extractions in the Gulf of Mexico and the lack of implementation of international environmental laws and regulations the government has signed. According to the OECD is this due to lack of knowledge, but also a lack of funding. Deforestation, air and water pollution and endangered species diversity is among the greatest environmental challenges the country faces (NorwegianEmbassyMexico, 2010b).

Of the population, ¼ is active within the agricultural sector with subsistence farming, mostly cultivating corn, wheat and beans. The main export products are coffee, cotton, sugarcanes, cacao, bananas and vegetables. Mexico is the world's foremost producer of silver, and is also

a prominent producer of lead, zinc, cadmium, manganese and copper. Tourism contributes to decrease the trade surplus, though the large national debt is a big burden and problem for the country (Cappelen, 2010). As a regional power and the only Latin American member of the Organization for Economic Co-operation and Development (OECD) since 1994, Mexico is firmly established as an upper middle-income country. It is the 12th largest economy in the world by gross domestic product (GDP) adjusted by purchasing power parity (PPP). GDP was 839, 2 billions US\$, and GDP growth is 2,8 percent. This makes a GDP per person at: 7,180 US\$, but this is not evenly divided. The economy is strongly linked to its North American Free Trade Agreement (NAFTA) partners; Canada and the U.S. (Williams, 2004), which has contributed to neo-liberal political and economical development.

The economy is constantly growing, contributing to the growth of the middle class and to repositioning the country from a low-income country to a middle income country. However, Mexico is still inhabited by both very wealthy and very poor people and the contrasts between the two groups are extreme. The development potential is overall very high, a majority is still living in bad conditions, lacking basic needs covered. HDI is 0,829 (ranked as nr. 52), and receives 0,19 billions USD in development aid from the U.S. (CIAworldfactbook, 2010).

3.1.1. Socio-economic context – Oaxaca

Oaxaca, which is the geographical focus area of this thesis, lies in the south of Mexico. Southern Mexico is the area which is the least developed in Mexico, with the highest illiteracy rate. An average life span is 8 years less than the rest of Mexico and 50 percent of the population earns less than minimum wage. According to the socioeconomic indicators of the National Council of Population (CONAPO) Oaxaca is part of a triangle of extreme poverty in the southern part of the country (2000). Its developmental position thus makes it an interesting case for research. According to Aranda (2002:18); “the production of coffee take place in regions which does not have all basic services and infrastructure; the coffee producing zones coincide exactly with a map of extreme poverty, areas that have been identified as high priority for assistance by the Mexican government”. 29,5 percent of the municipalities are considered as highly marginalized and 46,5 percent very high marginalizes. On a day-by-day basis coffee producing families face multiple needs in all areas of life, health, education, communication, transportations – which makes their lives more difficult (Aranda, 2002).

Oaxaca is divided into eight socio-cultural regions. The field work was carried out in the regions of Mixteca and Costa, two of the most marginalized areas (ServicioNacionalParaLaPaz, 2008). About 60,5 percent of the population in Oaxaca is living in rural areas (ServicioNacionalParaLaPaz, 2008) and low income and marginalization have made 50 percent of the population in Oaxaca rated as living (in high or very high levels of poverty. 40,5 percent of the population is living without running water and 23 percent without electricity. 40 percent of houses have dirt floors, 34 percent of children over five years old do not attend school, and a majority finishes only elementary school. That leaves about 21,5 percent of the population in Oaxaca illiterate: 26,7 percent are women, compared to 15,5 percent of men (GlobalExchange, 2007).

According to the National Institute of Nutrition, are 337 municipalities nationally are suffering from severe mal-nutrition. 100 are rated as worst, out of them are 45 located in Oaxaca, primarily inhabited by indigenous people. In 2004, Oaxaca had the highest mortality rate in Mexico with 5,2 per 1,000 people, infant mortality rate at 9.7 for every 1,000 live births. The maternal mortality rate is 36,7 percent higher than the national

average, due to the deficiencies in medical attention and lack of access to public health services.

Figure 5: Socio-Cultural regions of Oaxaca



(http://es.wikipedia.org/wiki/Archivo:Oaxraca_fisico_regiones.png)

In the indigenous areas of Oaxaca there are 0,13 doctors for every 1,000 people. This contrasts with the 0,94 at the state level and 1,38 at the national level. Other symptoms are the high level of migration to the cities, and to the United States (Aranda, 2002), the development potential is overall high. This is some of the roles the cooperatives which were developed during the 1980'ies have contributed to. When the farmers cooperated through the guidelines of e.g. for being Fairtrade certified the importance of education, environmental preservation, improved health through improved sanitarian facilities have been emphasized among others. Though has the cooperatives contributed to much more:

3.2. The *cooperativa* MICHIZA – Yeni Navan – a short introduction

MICHIZA is a small-scale coffee cooperative established in 1985 in Oaxaca, Mexico. It consists of around 1000 small-scale coffee producers, and promotes sustainable agriculture and empowerment of its members. The cooperatives history started as a result of the influence of a Catholic priest, Bartolome Carrasco who served the church of Oaxaca from 1963 to 1983, as well as of laypeople influenced by liberation theology and working with impoverished indigenous communities. With the support of its Social Pastoral Office, many local people began to organize into “Christian base communities”, engaging in social action to address the roots of poverty.

Sola de Vega, an area populated by chatinos, an indigenous group, is a coffee-producing area where Inmecafè had a less dominant presence – one such group had been created as a peasant credit union in response to farmers’ access to capital. The producers had heard about UCIRI, another indigenous coffee cooperative established by the help of a Dutch priest in the east of the state, which was exporting coffee directly to Europe. In 1984 the church covered the groups’ bus fare and several people from the credit union went to visit UCIRI to observe its functioning. When returning the producers decide to start their own coffee cooperative. In 1986, with a small subsidy from the church, the organisation Michiza was established. The organisation consisted of farmers belonging to four different ethnical groups; Mixe,

Chinanteco, Zapoteco, and Chatino, all indigenous communities in Oaxaca linked to the political left wing of the church. Years later the name was changed to Yeni Navan, to be registered as an organisation representing the first letters of the various groups. At this point, the group had grown to also include Mixtecos and Cuicatecos.

Yeni Navan was self driven in comparison to the two other independent coffee producers groups in the country; ISMAM in Chiapas and UCIRI in Oaxaca, both were led by charismatic radical priests.

Photo 2: MICHIZA'S office



MICHIZA on the other hand choose a different path, reluctant not to depend too heavily on outside advisers. *“It was something very indigenous, very much of their own, very Oaxacan”* (Jaffee 2007:85). The producers worked hard for MICHIZA to be entirely their own; if all loans taken, every peso were paid back, and the cooperative earned a reputation for scrupulous honesty with government agencies, though kept at arms lengths distance (Jaffee, 2007). After its inception, MICHIZA tried to establish an export market of its own, though without any success.

(Source: author, 2010)

For several years the cooperative exported its coffee through UCIRI. After the 1989 price crash, MICHIZA was the first organization to take interest in organic cultivating. The cooperative worked hard and in 1992 got certified by the organic certifiers, and received its legal status and, as previously mentioned, changed name to Yeni Navan, though MICHIZA is still used by its members, and will be used throughout this thesis. Finally were they exporting their own coffee independently to Europe, a Fairtrade labelled high quality organic coffee. It was sent from MICHIZA to GEPA, a groundbreaking German alternative trade group. The sale eliminated middlemen's, intermediaries, need for payments and the direct sale gave a higher payoff (Jaffee, 2007).

Today MICHIZA consists of 950 members (at the most around 1200-1300) of which 321 are women (2008), approximately 30%. MICHIZA's 950 members represent 1 percent of the farmers in the state Oaxaca. MICHIZA have producers in 43 communities, and produces about 500.000 kg Fairtrade and organic FLO certified pergamino - green un-roasted coffee, both for sale at the local market and for export. They are certified by FLO-CERT to sell Fairtrade labelled coffee to The United States, Germany and Austria, and by Certimex, a Mexican organic certification, which is recognised by all other countries. This is to save the certification fees from all national organic certifications agencies, which would have been very expensive. In addition MICHIZA is certified by Comercio Justo Mexico (Fair Trade Mexico) a national certification agency so that they can sell fair trade coffee at the local markets. Earlier MICHIZA have also been certified by Naturland from Germany, another

organic certification. Today MICHIZA export coffee to GEPA in Germany, EZA in Austria and to CoffeCoffee and Royal Coffee in the United States.

“The corridor of MICHIZA

”I’m going to tell you the story, the story of Michiza
The poor people organized, united in the struggle.
In the year of 1985, many people were fed up,
Because they saw that the bosses were taking away our crop.

The Mixes and Chinantecos showed way,
Then came Mixtecos and also Chatinos.
The Zapotecos arrived and they had good cause,
Along with Cuicatecos they got into the game.

The cause for organizing was a difficult situation
In which our people lived, because of exploitation.
Our principles are clear, our foundations are well,
Our faith, culture and work united us to struggle.

We set a goal for ourselves to be sincere campesinos,
A crop that’s organic and healthy as our ancestors’
The road became long, hard and filled with problems,
People called us crazies, communists and even evangelicals.

The powerful of the village will always attack us
Because when we’re well organized, they cease profit.
Agents of the church contributed to the problem,
Telling the people that prayer alone is the solution.

The organization we will happily carry forward
Following the Way of the Cross, just like our grandparents.
We gratefully thank all those who helped make Michiza
A shock to all those damned tvrants.

“The corridor of MICHIZA”, is sung at general assemblies, and gives a good description of the philosophy of MICHIZA, see box. MICHIZA members need to go through a compulsory transition to organically cultivation. The transition takes 2-3 years. Members pay no fee, but sell their own coffee to MICHIZA. The cooperative is run by a 6-7 person administrative board, with a mandate lasting 3 years. This election is done by representative from all 43 different *comunidades*. The representatives have a three year mandate, and run their own production parallel, with help of their families. They are paid by the income from the coffee sold by the cooperative. MICHIZA is paying the members three times per year; first the *anticipo* (pre payment) before the harvest, normally in October- November. In April/May the *acopio is paid* (payment for the actual coffee delivered) and in July the *ajuste* (adjustment) when all accounts are done. In 2010 it will approximately be:

(Source: Michiza, translated by Jaffee 2007:86)

10 \$ /kg in *anticipo*
15 \$ /kg in *acopio*
4 \$ /kg in *ajuste*
= 29 MEX \$/ kg totally

= 13 NOK/kg for organic Fairtrade coffee.

MICHIZA offers technical support to its members in order to improve their capacity in organic agriculture and overall coffee quality and yields. They also apply for *apoyos*, a financial support, to the members from the state and various organisations and funds. MICHIZA is also responsible for marketing and the direct export of their members' coffee. As an organization, they aim at including women's participation in their decision-making, the impact of which is noted in the number of female members. In 2008 the members discussed the establishment of a Women's Committee in order to develop projects better adapted to their needs.

The cooperative holds regular meetings (every two months) at their offices in the state's capital. A delegate from each community attends the meetings, some travelling up to 6 hours to get to the capital from their local region. Topics covered in the meetings range from administrative business to current and potential developmental projects running.

Objectives of MICHIZA

The objective of Michiza is to raise the life quality of the *Socios*, partners and families towards a more sustainable agriculture, and to create a fairer and more just market to the producers, and to have a more human friendly development of the *Socios* to help them develop their intellect, moral, social values and economical situation.” (Jaffee 2007)

- To promote a sustainable agriculture, an organic agriculture in all parts of the process of the production of coffee or the products in the Regions.
- To improve the quality and quantity of the products for consumption and sale.
- To sell our products directly ourselves, with out Intermediaries.
- To make use of, and preserve the natural resources and the surrounding areas.
- To fulfil activities and capacity to provide the *Socios* with increased knowledge.
- To get the *Socios* to promote and participate in the election bodies and direction of the organisation.

3.3. A brief history of coffee

I will in the following give a brief presentation of the history of coffee as it is essential to understand which marginalized living conditions small-scale coffee producers are living under, and which challenges they have had to face the last decades and which contribution a sustainability through a future partnership may offer.

Coffee is the second biggest industry in the world after oil. One forth of the Mexican populations is employed within the agricultural sector; and coffee is one of Mexico’s main sources of income within agricultural products (Friele, 2009; Jaffe, 2004). About 90 percent of the coffee grown in Mexico is Arabica coffee, the most popular coffee bean within the Western World. The main areas of production in Mexico are Chiapas, Oaxaca and Veracruz (Friele, 2009).

Coffee was long a hidden treasure of the Arabs world, which kept their monopoly over its cultivation, but in 1616 a Dutch managed to smuggle beans out, and started to cultivate coffee at Java. Soon the drink had become a delicacy among French and English. It percolated down to the middleclass, and became eventually a beverage of mass consumption in Europe and America. In 1715 there were more than 2000 coffeehouses in London alone. Coffee was introduced to the Americas by the French colonists, planted at Martinique in 1719. French controlled Haiti was the first major coffee exporter on the Americas, though when first introduced to Brazil by the Portuguese it came to dominate the world production (Jaffee, 2007). The Mexican coffee production started approximately in 1800, with coffee planted in the most fertile highlands by the coast of the Pacific and the Gulf of the states of Chiapas and

Vera Cruz. It slowly expanded to also include the states of Puebla and Oaxaca and beyond. The best coffee is produced within a belt 12 to 15 degrees south and north of the equator in tropical and sub-tropical areas. The production areas should be between 500 and 2000 meters above sea level, and have a high humidity level (Friele, 2009) e.g. Oaxaca.

Table 2: Mexican coffee production (annual state production)

State	1988-1989	1989-1990	1991-1992
Oaxaca	7.0	8.3	5.2
Puebla	18.4	15.4	7.0
Chiapas	109.0	11.7	9.4

(Martines Morales 1999 in Jacome n.d.)

The labour was mainly indigenous and peasants. Unlike other coffee producing countries Mexico never developed a coffee oligarchy. The coffee production was largely owned by foreign coffee elite, and exported to Europe and the United States. Through the post revolutionary agrarian reforms in the early twentieth century, a redistribution of coffee lands to local people empowered the locals. The coffee production was no longer only a crop imposed by outsiders, but became a vital part of the rural economy and a vital local source of income.

Table 3: Mexican Coffee Production by plot size

Coffee plot size (hectares)	Producers	Percentage of all producers	Total land area (hectares)	Percentage of total area
0.1 – 2.0	203,924	70.18	258,330	33.88
2.1 – 5.0	64,330	22.14	227,816	29.88
5.1 – 10.0	16,928	5.83	128,133	16.80
10.1 – 20.0	4,049	1.39	61,538	8.07
20.1 – 50.0	902	0.31	28,765	3.77
50.1 – 100.0	256	0.09	18,971	2.49
<100	185	0.06	38,940	5.11
TOTAL	290,574	100.00	762,493	100.00

(Jaffee 2007:41)

The result is a nation of small scale coffee producers, mostly indigenous (Jaffee 2007 and Jacome n.d.). As many as 64 percent of the farmers inherited less than 5 hectares. An average farm size has declined significantly in recent years and is now at 1.92 ha (Jacome, n.d.). As shown in Table 3, a majority of the Mexican coffee producers are ranged within 0, 1 - 2 hectares of production, which is on the limit of sufficient for survival. About 50 percent of the coffee producers are indigenous, preserving decades of marginalization and poverty.

Today they practice what is called natural shade grown coffee production. They have resisted the move towards full-sun or technified coffee production that has stripped the shade cover from 40 percent of Latin America's crop. This is a production mode which requires heavy pesticides and fertilizers (Jaffee, 2007) and which leads to soil erosion and loss of biodiversity.

From the early 1960's to the 1980's the coffee sales prices was strictly regulated by the International Coffee Agreement (ICA). ICA was an accord between the major coffee producing and consuming nations making up the International Coffee Organisation (ICO) that imposed strict quotas and controlled prizes: The drawback was that coffee was being stocked off the market, destroyed or sold at low prices to non ICO members due to the regulations. During this time the coffee price fluctuated between 1.00 US\$ and 1.50 US\$ per pound, and coffee producers could rely on a modest income from their production. But 4th of July 1989 ICA collapsed, due to consumers changing preferences, a growing surplus of coffee from non-ICO members, and the geo-political goals of the U.S. government. The U.S. government had made a shift in its focus from Southern America to Central America, and the rigid structure of ICO made it impossible for the U.S. government to use the coffee trade as a reward towards its new trade partners. The Reagan administration decided to sabotage the renewal of the deal. Tons of coffee which had been stocked due to ICO's regulation was dumped on the market, and the price dropped dramatically. The prices reached a bottom level in 1992 on 49 cent per pound (Jaffee, 2007).

Table 4: World coffee prices and payments; 1989 – 2010

	1989	1999	2002	2005	2010
World "C" price (USD/lb)	1.29	1.20	0.47	0.95	1.25
Average price paid to farmers by middlemen (\$/lb)	N.A.	0.36 - 0.60	0.15 – 0.25	0.25 – 0.50	1.30
Percentage of purchase price staying in producers nations	30	16	7	10-12	N.A.

(Jaffee 2007:46; ICO 2010; author, 2010)

The results were that small-scale producers who produce more than two-thirds of the world's coffee experienced a 70 percent drop in income. Consequently many left their crops and migrated to the cities, or in Mexico's case, illegally to the U.S. due to lack of passports and visa. A study from the Chinantla region confirm that increasing child malnutrition and outmigration was directly linked to the drop in prices in the region in Oaxaca, Mexico (Jaffee, 2007). After an increase from 1994 -1997, reaching 2.50 US\$ per pound, the price dropped again in 1999, this time to below production costs. In December 2001 the price was 41 cent USD / pound. The farmers in Oaxaca though kept on selling their coffee to the intermediaries in lack of other options to get cash.

The "c"-price is what the New York Stock price is called. An average farmer receives far less than the "c" -price due to the hands of intermediaries on the way. According to resent reports the coffee market is recovering, slowly. The price is far from the ICA level, when adjusted for inflation, and is far from stabile. In 2006 the prices was less than half their 1989 value, and the remaining lack of control will likely make the upswing swift. Though has the prices continued to increase since (Jaffee 2004 and Wise 2005).

Table 5: Average annual price, ICO indicator US\$/lb

Year	Average price by ICO in US\$/lb
1998	108.95
1999	85.71
2000	64.24
2001	45.59
2002	47.74
2003	51.90
2004	62.15
2005	89.36
2006	95.75
2007	107.68
2008	124.25
2009	115.67

(InternationalCoffeeOrganisation, 2010-1)

The after effects of the crisis will be noticeable for decades, maybe even generation. Due to the several crises within the coffee sector, both the recent price crash and other more structural crisis, an international clamour has been raised, though without much help. The Association of Coffee Producing Countries (ACPC), an association consisting of coffee producing countries, tried to increase the prize, by decrease their production by destroying stocks, though most of the members failed their promises. ICO, who administered the ICA, still exists, but has not managed to impose any binding control since 1989. The only ones gaining on this is “the big five” coffee roasters. Starbucks amounted for a 41 percent jump in first quarter profits in 2001, Nestlé jumped 20 percent and 13 percent in 2003 (Jaffee 2007:49).

There have been several unsuccessful attempts of unilateral control of the coffee market by producing countries, but governmental control is out of reach, due to market liberalization. There are also countries whose interest lies not within controlling the market. E.g. Mexico has not been able to participate in deals aiming at controlling the market due to threats from the U.S. government through two NAFTA articles, which prohibits intergovernmental coffee agreements (Wise, 2005).

Mexico has not been spared for the twin crisis, but in Mexico’s case it is even more complex: The Mexican Coffee Institute (Inmecafè) was a governmental agency which provided extra support and protection to small-scale farmers. It was established in 1952 to provide technical advice, but in 1972 its role was developed to take charge of the marked regulation, production and began to provide low-cost credit and fertilizers to small-scale

The coffee producing nations earned in 1989 10 billion USD from the world’s coffee sales, the total amount earned was 30 billion USD. In 2001 the total sale had reached 80 billion USD, though only 6 billion USD was reaped by producing countries. The share kept by the coffee growing countries when from 30-33 percent to less than 8 percent in less than a decade (Jaffee, 2007).

The result was that if farmers did not migrate they were bound to live on the poverty line, sell their cattle, increase their production or start producing other more profitable crops, such as drugs.

This led to land clearings which have noticeable ecological effects; erosion, loss of habitat and soil compactation (the soil losses the air, and becomes hard and compact) by cattle, which again may contribute to reduced rainfall - an increasing problem in several areas. Even though the price now is increasing (2010) it cannot bring back the trees, nor can it re-establish the communities fractured from emigration.

producers. They organized the small-scale producers into structures (village level cooperatives) called economic production and marketing units (UEPC's). These were affiliated into National Peasant Confederations organized to incorporate small-scale coffee producers into Mexico's corporatist system to keep labour unions and peasant confederations under political control. Inmecafè became the main buyer of the small-scale producers' coffee, providing stable prices, credits and the technical support, which increased production by applying fertilizers. They also contributed with machines for handling the coffee beans.

Inmecafè broke the power of local intermediaries and rural power bosses, and the producers received a decent return for their production which increased yearly. The production and numbers of producers increased dramatically, as well as their dependency to Inmecafè. Inmecafè's dissolution was due in part to the collapse of ICA, but was also a result of neo-liberal economic policies imposed by the International Monetary Found (IMF), to reduce the state's role in regulating the economy. The next three years the price dropped 70 percent, and the small farmers slid into poverty, debt and even bankruptcy. They did not manage to increase production because of the dependency on fertilizers, which they themselves could not afford to buy. A solution was to increase their production of *milpa* (corn and beans) to reduce their dependence of purchased food, a strategy still applied by most farmers.

At the same time a growing producer movement had started to emerge. The goal was to take part of the commodity chain, remove the intermediaries and gain a higher price and more stabile price them self. The pioneer organisation was UCIRI, founded in 1983 which also later exported the first fair-trade certified coffee. Other grassroots organisations started to develop, inspired by the producer movement; Ismam in Chiapas, UCI-100 by the coast of Oaxaca, and MICHIZA in Oaxaca. Later Oaxaca State Coffee Producers Union (CEPCO) was founded in Oaxaca. It organised 42 percent of all coffee farmers in Oaxaca, and even though many of Inmecafè's plants ended up in private hands, CEPCO managed to claim several important processing facilities, and part of the commodity chain, which MICHIZA also benefitted from. Due to this development, most Oaxaca farmer's today belongs to some kind of producer organisation (Jaffee 2007, Murray 2004).

4. Methodology and Research Approach

4.1. Introduction

This research is conducted to figure out if Fairtrade coffee production enable sustainable development and livelihood when being part of a CSR strategy for corporations. The coffee producers are represented by the small-scale producer cooperative MICHIZA in Oaxaca, Mexico. The corporations chosen are five coffee houses in Norway, which are five out of a total of thirteen coffee houses selling Fairtrade certified coffee in Norway. Due to an increasing number of corporations selling Fairtrade products, which also to an increasing degree has a so called CSR strategy, the research is very relevant. This is coherent with Jaffee's (2007) opinions, who calls for that the relationships between price, quality, certification and cooperative membership achieve further research. His views strengthen the relevance of this research, and emphasize the importance of alternative trade markets.

The study has been conducted in two parts; the first part consisted of the collection of secondary sources. The literature review was done to create a fundament for the following study. The second part was the collection of primary sources; a field work carried out with two groups of informants. The first group was a study of five coffee houses in Norway and the second group a case study of MICHIZA - a small-scale coffee cooperative in Oaxaca, Mexico. There was a one year leap between the literature study and the fieldwork due to pregnancy and maternity leave.

4.2. Research strategy and design

The research strategy presents the overall directions for conduction of the research (Bryman, 2004). The strategy was chosen based on the study setting; a case study, with an exemplifying motivation. This makes a case study suitable. Achieving knowledge about reality is called epistemological position; "*what is (or should be) regarded as acceptable knowledge in a discipline*" (Johannessen, 2002), which is the aim of this study; to generate a knowledge about Fairtrade and CSR. When studying social reality, there are two distinct positions within (the discipline) epistemology; positivism and interpretivism. Interpretivism "grasps the subjective meaning of social action" (Bryman 2004:11) in other words, a social action will always be interpreted, and is never objective, this goes for both the mediator as well as the receiver. For this study, an interpretivistic approach is suitable. The social world is not absolute, it depends on human behaviour and change, and this must be acknowledged by scientists when conducting research. Interpretivistic and subjective ideas are frequently used in qualitative research and enables the researcher to understand people's lives, experiences and their subjective meanings, which correlates well with this fieldwork. Fieldwork is normally done through an inductive process of data gathering, which then draws on theory to establish shared patterns of meaning. The data gathered in this fieldwork was collected to establish a theory, for then to create meaning. This study focuses on how Fairtrade has affected the coffee producers' lives, which will be understood through personal explanations, providing subjective meanings. Main focuses was their personal experiences, and subjective meanings of Fairtrade.

When a study is focusing on interpreting words and behavior and understanding reality from the point of view of the entity studied, qualitative research method is used. Quantitative

research is normally more concerned with measurements, explanations and testing of theories from an objective point of view (Bryman, 2004), and needs a higher number of participants to be representative. A questionnaire, which is rather frequently used in quantitative studies would easy turn out incomplete due to the informants' limited reading abilities in Mexico, and language difficulties. Most informants do not speak English and some does not even speak Spanish. Among the coffee houses a questionnaire would not have provided suitable information for this study, which was in-depth study. A quantitative study would be both insufficient for presenting the information needed from the coffee houses and the producers.

As researcher I emphasized a objective interpretation of the data, however even a research strategy is colored by its composer (Bryman, 2004), so will the interpretation of the data. This will be visible through the selection of topic and through the interpretation of data in this study as well, although objectivity will be emphasized.

The framework for the data collection will be case study (Bryman 2004:27) which is normally used when a location, a community or an organization, or as here a cooperative is the focus of the research. Some argue that the term "case study" should be reserved for cases where one actual case is being studied for its own sake, though if the study is done as an exemplifying case it also qualifies for a case study. This case study serves as an exemplifying case, se Chapter 1.2. It is not a unique case, nor revelatory or critical, but it provides a suitable context for a certain case to be studied and answered, which may be used to exemplify similar cases elsewhere. One of the main critiques of case studies is that the results are hard to generalize, though is it not important to generalize the results, but to be able to generate theory out of the findings. The case study will have an inductive approach; the observations/findings will generate a theory. A cross-sectional design was also considered. However, normally more than one case would then be studied, with several variables to detect a pattern. This study will however only focus on one case (Bryman 2004).

The information was gathered through semi-structured in-depth interviews, participant observations, focus groups interviews, and conversations. The informants are employees at the coffee house corporations in Norway and employees and members of the cooperative MICHIZA, Mexico.

4.3. Data collection

4.3.1. Secondary sources - document analysis

The research was initiated through a document analysis about CSR, which initially was the main topic. I went carefully through reports and articles to understand the different interpretations and definitions of CSR, and then looked at what was the focus of the scientific debates within this field. The literature was obtained at libraries, and at the web, using the university's database searching for articles through among others; J-store search engine. I also carried out an interview with the CSR-coordinator at Forum for Environment and Development (ForUM) to get inspiration and feedback on the "Norwegian" discussions concerning this theme was, as well as suggestions to interesting and relevant topics.

Later when Fairtrade appeared as a possible topic I went trough studies about Fairtrade as development enabler, poverty eradicator, and its history and development and present debates

here as well. Also the concept of sustainability, both as sustainable development and livelihood has been studied, though less thoroughly.

4.3.2. Primary sources - interviews and observations

The data collection of primary sources was carried out from January 2010 to May 2010. Two main sources were used for data collection, the first being coffee houses/corporations selling Fairtrade or Utz certified coffee and or having a CSR strategy. The second information source was small-scale coffee producers, members of the cooperative MICHIZA in the state of Oaxaca in Mexico.

Interviews in qualitative research may be done either semi-structured or un-structured. The main point is that the interviewee's perspectives and meanings are of interest, and not the researchers (in comparison to quantitative were the interview reflects the researchers concern). The interview guide was developed constantly during the fieldwork to adapt to the setting, which is rather normal according to Bryman (2004:321). This way the answers became richer and more detailed, and the interview guide adapted to the setting. This contributes to that necessary information, which initially was unknown to the interviewer, may be obtained (Bryman 2004:319-320).

According to Bryman (2004) is purposive sampling recommended when the research is based on qualitative interviews. This is a strategic approach when respondents are selected according to their relevance for the study, so called snowball sampling.

Corporations / coffee houses:

The study was initiated with interviews with representatives of the corporations. Based on Fairtrade Max Havelaar's (Fairtrade Norway) list of thirteen importers (FairtradeNorway, 2008) a selection of eight corporations was made. The list consisted of both smaller café's and coffee shops and bigger corporations selling to grocery stores. There are also other corporations selling Fairtrade coffee in Norway, though they are then direct imported, and not registered at Fairtrade Norway. The eight contacted were based on location and relevance: Joh. Johannson Kaffe AS, Kaffeuset Friele AS, Löfbergs Lila AS AB Pals AS, Scanomat, Arvid Nordquist HAB, Crema Kaffebränneri and Nestle. Positive response was received from Joh. Johannson Kaffe AS, Kaffeuset Friele AS (Friele), Löfbergs Lila, Kjeldsberg Kaffebränneri and Pals. The others did not respond.

The corporations are located around in Norway, and the interviews were carried out either at their office, if located in Oslo, or by email, if located elsewhere, followed up by a telephone interview. All interviews had an in-depth semi-structured form, though this was to some degree limited at the email interviews, hence the telephone follow-up interview. These questionnaires were adjusted to the setting; more explainable and detailed than the ones used during the face to face interviews.

The interviews with the coffee houses were performed during a period of four months. The first interview was with Joh. Johannson, then the email interviews were sent to Kjeldsberg and Friele. After that Löfbergs Lila and Pals were interviewed, and the follow-up interviews on telephone with Kjeldsberg and Friele. They were all supposed to be carried out before Mexico, as a preparation for the Mexican fieldwork. However not all interviewees had the possibility to meet before I left. The interviews with the corporations gave an impression of the timeline the corporations had with Fairtrade, which was assuring when interviewing the

cooperative, giving a sustainability aspect of Fairtrade and CSR in the sense that they knew the supply and demand.

Table 6: Sample overview corporations

Method	Type of respondent	Loaction	Sample size	Number of interviews per respondent
Online	Corporation	Norway	2	1
Semi-structured / Open ended interviews	Corporation	Norway	3	1
Semi-structured/open ended probe interview from Online interviews, performed on telephone	Corporations	Norway	3	1
Total number of interviewed	Corporations	Norway	5	1-2

(Source: author, 2010)

The interview guide was developed beforehand as a standard based upon the research questions, though are all corporations different. Hence the interview guide was adjusted to each specific corporation and their CSR and Fairtrade profiles. A small pre-study was carried out investigating their web pages.

The main focus was on how they presented them self concerning social responsibility. This was the background for the specific approach in each interview guide. I also went through which kind of links they presented, partners and memberships. All interview guides included semi-structured questions, though some with examples. All of the corporations have different interpretation of CSR, so this was done to assure that they understood my project and approach. It was developed one standard interview guide for all corporations, but as said, all were adjusted to adapt to that specific corporation. The interview guide was built up by topics; background, ethical codex at the corporation, Fairtrade, reactions among consumers, this was standard, though the underlined questions varied, especially underneath the section of ethical codex. The questions aimed to be clear, specific, although this represented several challenges, since CSR may be interpreted several ways. Other factors emphasized when making the interview guide was to include open ended, comprehensible, relevant and not leading questions. Three interviews were carried out face to face with corporation employees, and all interviews were recorded and transcribed. All interviews were done in Norwegian, the researcher's first language. In addition some notes were taken during the interviews. This was done to be able to follow up better and to maintain a more conversation like situation during the interview.

The two cases with online interviewing were done considering the corporations; Friele and Kjeldsberg role in at the Norwegian market. Online interviewing must be done very carefully, especially to be sidelined with the other results. According to Bryman (2004) is a normal weaknesses in online interviewing lack of motivation and commitment, therefore was the whole interview sent at once, in order to actually get the respondents to participate. (Appendix 2). Another weakness by online interviewing is that it is less detailed, misunderstandings are common, and questions are skipped if they are not understood or misinterpreted. The respondents also turn out more carefully with their responds due to that it is written. This may lead to a lack of spontaneity and function to "tie" them up. It is therefore important that the interview guide is easy to understand, questions must be precise, but open, to get the most

accurate answers. Despite all flaws of online interviewing, I chose this approach in order to get an impression of Friele and Kjeldsberg position in the Norwegian market. When designing my interview guide I tried to be aware of the constraints mentioned above and I thus made an individual interview guide to the online interviews, based upon the interview guide to the other corporations (Appendix 1). The interview guide was semi-structured, with open-ended questions, though some had examples to avoid misinterpretations. It was also probe questions on several of the questions.

One interview was carried out on telephone. After having interviewed Ljöfbergs Lila AS's Marketing and Sales manager, I was offered to interview Ljöfbergs Lila AS's Marketing Manager, though she works in Sweden. Also this interview was a telephone interview, though not with the initial email interview. All interviewees received the interview guide on beforehand.

In the case with one of the corporations, there had been a misinterpretation, so some information has been removed from the thesis due to sensitivity of the information.

Small-scale coffee producers

Oaxaca is a state with a large coffee production. Still, it was harder than expected to find a cooperative willing to be interviewed. The bordering states do also produce coffee, and have several more cooperatives as an alternative if no cooperative willing to be interviewed was located in Oaxaca.

Also in Mexico purposive sampling was used. Contact had been made with one cooperative, UCIRI, before arrival; they were not interested in participating in a case study, due to lack of resources, already having many students and interns. Based on that, I decided to wait until arrival with contacting CEPCO, another cooperative located from Murray's (2003) report. After the rejection from UCIRI, I had reasoned that it would be harder to reject an interview if I made personal contact with CEPCO. By arrival, I had no contacts. I searched markets, cafés. The only coffee producers located were selling organic coffee, from direct trade initiatives, though not Fairtrade certified. The numbers of cooperatives selling Fairtrade coffee were fewer than expected. After one week, I met with my one and only contact. He had heard about a cooperative named "Michi zaa". We never met again, though I contacted a friend of him having his own café. He did not have Fairtrade Certified coffee, yet he had contacts who sold *fair* traded coffee. We agree upon an interview, though at a cost of 100 USD. I promised to call back to confirm, bearing in mind that it was an option, though not very attractive. I still had not contacted CEPCO or UCIRI again, but had realised that UCIRI's office was hours outside the city, which would make us have to travel quite a distance. Bringing my child (age), I tried the other options first. I tried to get in contact CEPCO, and kept on searching for other cooperatives producing Fairtrade coffee. I searched literature and the web, for other cooperatives Eventually I located another small cooperative through a web page about a Fairtrade café in the U.S.A. MICHIZA consisted of small-scale coffee producers all around the state of Oaxaca, but had its main office in Oaxaca, I went the next day, returning with my first interview scheduled the next week with the president of the cooperative.

The interviews were semi-structured, and therefore varied in terms of length and depth, depending on the informant. The majority of the interviews have been carried out as in-depth semi-structured open ended qualitative interviews. The interview guide was adjusted during the fieldwork to adapt to the varieties of interviewees to improve the interview information. In the beginning the interview guide was very open, with few questions. During the field work I

realized that the more direct the questions were, the easier it was for the interviewees to answer. In addition were several of the initial questions too difficult, and had to be simplified.

The interviews with MICHIZA were divided into two groups; the *Directiva* (management) and regular producers. The *Directiva* were interviewed at the office. Some producers were interviewed during the weekend with MICHIZA's 25th Anniversary the 27th of February, where many producers came to Oaxaca to participate at the Anniversary. In addition I made two trips to communities to visit producers who had invited me during the Anniversary. The informants were elected based on snowball sample and availability. A total of 27 members from MICHIZA were interviewed.

The *Directiva*, management, are also producers. They have a three years mandate to administer the cooperative. Therefore the *Directiva* have more knowledge about how the cooperative functions than regular producers. The *Directiva's* interview guide was henceforth adjusted to each interview depending on their role; being either treasurer, marketing manager, president (Appendix 3). The employees in the *Directiva* all possess different kinds of information which was reflected in the interview guide. Their guides had all some common themes, but also more individual adjusted questions, or probe questions to earlier interviews with insufficient answers. The interviews were mainly carried out to establish a background for a understanding of the situation of the producers, further would it be used to the development of the interview guide for the producers. All interviews with the *Directiva* were carried out at MICHIZA's office, a total of five interviews consisting of the president, sale and marketing director and representative. Two interviews with the representatives were also conducted. It was also two double interviews, one with two producers newly employed at the administration, and one with the treasurer and a consultant, the first day. All interviews were conducted in Spanish.

The producers' interview guide was created in two rounds (Appendix 4 and 5). A large part was built up on background and life standard to get a picture of their social and economical situation. Then there were a few more open-ended questions about being organised in MICHIZA, instead of focusing on Fairtrade and *Comercio Justo* (Fair trade Mexico). This was done due to that most of the producers did not know what *Comercio Justo*, nor Fairtrade was. They related to Michiza, which again were responsible for all certification e.g., but the producers did not have any knowledge about it, so asking about it did not give any answers, nor did words like "socio-economic development". The members of Michiza are doing what the *Directiva* says, and MICHIZA is the actual member of all the certification in the producers' eyes, and so in FLO's. The interviews with the producers were carried out at the 25th Anniversary in Oaxaca during the Anniversary weekend. All communities sent one representative, or in the producers' villages to the Anniversary. Six in-depth interviews, and one focus group interview, were held at the Anniversary, based on the first interview guide. This guide turned out to be too wide, and a new one was created with more specific questions later.

I also visited two communities; I was invited to visit a producer at the Anniversary, and one community was visited after recommendation from the *Directiva*. The two communities are located in different regions, one by the coast, and one in the mountains in the North-West of the state. In both places, when I arrived, I had already made contact with one informant, who would introduce me to the other members available. By the coast four interviews were carried out, one more in-depth than the others. It was still the first interview guide with semi-structured open-ended questions. Due to the informants level of higher education, and had

former been in the *Directiva*, and had better time, the interview guide functioned better than at the Anniversary. The overall impression still was that the interview guide needed to be more structured, with more specific questions in order to regain the most out of the interviews. In the mountains the interviews was carried out with the new interview guide. The interviews provided more information than the former ones, and the respondents seemed more secure in their answers.

Table 7: Sample overview producers

Method	Type of respondent	Association	Location	Sample size	Number of interviews per respondent
Semi-structured / Open ended interviews	Producers employed in the administration of Michiza	Michiza	MICHIZA's office, Oaxaca, Mexico	7	1-2
Semi-structured / Open ended interviews	Producers	Michiza	The coast, Oaxaca, Mexico	2	1-2
Focus group	Producers	Michiza	25th Anniversary, Oaxaca Mexico	1	1
Semi-structured / Open ended interviews	Producers	Michiza	25th Annivarsary, Oaxaca, Mexico	6	1
Interview schedule	Producers	Michiza	North-Western mountains, Oaxaca, Mexico	9	1
Semi-structured / Open ended interviews	Producers	Libres (not organized)	The coast, Oaxaca Mexico	2	1
Interview schedule	Producers	CEPCO	The North-Western mountains, Oaxaca Mexico	1	1
Total number of interviews	Producers		Oaxaca, Mexico	28	1-2

(Source: author, 2010)

4.3.3. Focus groups

Focus groups are frequently used in social research to emphasize the discussion of a specific theme or topic. One of the advantages with focus groups interviewing is in situations with many interviewees and lack of time for individual interviews, most interviewees will still have been able to participate in the study. An example of this was the 25th Anniversary. I also imagined that during visits to villages it would be convenient, and secure for the interviewees.

Focus groups are normally beneficial concerning opinions of members of a group, or in this case a cooperative. I chose to try this to obtain a group, which is unfamiliar with the setting of being interviewed, to feel more confident, strengthen by being several interview objects. Hopefully this would encourage presenting their personal opinions and creating a more interesting discussion. Observation would also be possible, to observe how they emphasized different things, and also to observe what was regarded as acceptable and not acceptable knowledge. A focus group normally consists of six to ten people. However, due to the fact that I had to conduct interviews in Spanish, I carried out a focus group with three participants.

They were producers, one woman and two men, representatives from their communities, participating at the Anniversary. They represented an average of the producers regarding size of coffee production, family constellations and age. During the interview the woman played a leading part, talking on the behalf of the others, making them agree. When she did not respond, the others did not either. Due to language shortcoming I had problems to following the conversation the few times more than one spoke, This I had anticipated would happen, though still I had wanted to test the method.

4.3.4. Participant observation

Participation observation is a useful approach which adds to the reliability in a research, Bryman 2004). Participant observation is dependent on access to participate in the producers' daily doings during a longer time, which was not possible at the office. The method was anticipated to be used more, but since much of my information was gathered at the office of MICHIZA due to the Anniversary I spent less time at the plants then first anticipated. However the method was used in a few situations;

The first occasion, part from being at their office observing, was during a visit to their coffee packaging, done by a machine belonging to CEPCO. During the drive over it was possible to have a more normal conversation with the marketing manager who invited me. Even though the sorting not was relevant for the thesis, it confirmed MICHIZA's yet close links to CEPCO, and that they cooperate and not compete, for booths benefit. Another possibility appeared during a visit to the coast. I was invited to visit a producer I met at the Anniversary, and his family. I had interviewed him, however by visiting it was possible to watch how they actual lived, meet his family, and see how the other producers living near by were living. I also visited another community in the mountains. By arrival I had one contact, though he was not there, so the local leader of MICHIZA followed me around to members to interview. This turned out to be beneficial since I got to talk lot with him and to visit people at their homes, and stay with a family. By living with a family I got to participate in their daily doings; during meals and e.g. by sorting coffee beans. This again brought the opportunity for informal conversations, which is an important part of participant observation, and to observe how they were actually living. This strengthens my findings, and would not have been able to put in words, no matter how good my Spanish was.

4.4. Interpretations of data

The analytical approach in this study has been inductive. The data has been collected to theorise about to which degree fair trade may contribute to sustainable development and livelihood, when incorporated as a CSR strategy at a corporation.

The two most frequently used strategies for qualitative data analysis are grounded theory and analytic induction. Grounded theory is the most widely used framework for analysing qualitative data and will be the framework for this analyse since it is most suitable. It is defined as “(...) *theory that was derived from data, systematically gathered and analyzed through the research process. In this method, data collection, analysis, and eventually theory stand in close relationship to one another*” (Bryman 2004:401). The approach entails a process of sorting and classifying data collected, placing it in categories that emerge as common “themes” from the various sources of data, selective coding, and use these to take

comparison and explore relationships that are the end generate theoretical assumptions (Bryman 2004).

4.5. Ethical considerations/aspects of the research

When conducting a research it is important to pay attention to the ethical issues that may arise. According to the ethical guidelines of the Social Research Association, researchers have an obligation towards their subjects of study (SocialResearchAssociation, 2003), and therefore should; “(...) *strive to protect subjects from undue harm arising as a consequence of their participation in research. This requires that subjects’ participation should be voluntary and as fully informed as possible (...)*” (Social Research Association 2003:14).

During the fieldwork in Mexico I always explained for what reason the information was gathered, and to which purpose. I also emphasized that I was only a student writing my thesis. I was especially careful not to raise any false expectations about why they were selected for the study. This was done because many of the producers thought that by telling me “the truth” it would generate a change. This was especially important regarding that many claimed that the Fairtrade price was too low. This I often agreed with, since this provided a confidence of understanding among us, though emphasizing that I had no influence with the price what so ever. And that those participating in the research would not achieve any benefits or rewards.

To protect one group of informants, the producers in MICHIZA, are all names changed. All others will be quoted by name, though this has been agreed upon with both corporate employees and the *Directiva* employees. The names of the producers have no importance hence they contribute to the general impression, a base for a hypothesis to be either confirmed or affirmed. In the cases with the corporations, it is not important which firm, that said what, but being so few, it is necessary to be able to be open about whom and what. This is also the case with the ones being employed at the administration of MICHIZA; the *Directiva*, since they too are very few, and it would be hopeless grant anonymity. No informants have asked for confidentiality or any statements not to be quoted.

4.6. Limitations and challenges

4.6.1. Establishing contact

The fieldwork was carried out during a period of two months, which is rather short period of time, especially since I had no plans by arrival. The two cooperatives which I had located before arrival, one had declined interviews, the other not responded. With that in mind, further contact with the other cooperative was postponed until personal contact was established. This was however a risk, and made me dependent on establishing contacts fast after arrival, since the fieldwork had its time limitation. I did, however, have one contact, which I met one week after arrival, though without results. The length of the fieldwork was seven weeks, if longer time had been available a comparative research might have been obtainable, or just a more thorough research of MICHIZA. This however has not affected the reliability of the information gathered, though it could have been even stronger if even more time had been spent together with the interviewees. Through my one contact I was set in contact with one who could provide me with further information, though payment was wanted for the interview, and I realized that I could not pay all, nor would I.

When I first got contact with MICHIZA I thought it was solved, but also there it was hard to actually get the interviews. It happened several times that when I arrived for a scheduled interview, the interviewee was not there. I learned to be very patient.

4.6.2. Representative selection

I made several attempts to contact with CEPCO tough without any success. All appointments were all cancelled, and in the end the time ran out.

CEPCO would have provided an appropriate comparative to MICHIZA, which would have increased the reliability of the theory. Hence this has become a case study of MICHIZA. I received one interview with a member from CEPCO when I was interviewing the community members in the mountains, and I also received two interviews with un-organized coffee producers in a *colectivo*. Though this makes them rather irrelevant and not as a representative selection, and I will not be able to use the information except from that I know what they said.

Nor have I been able to see if the representatives from MICHIZA that I have interviewed are representative for the entire member group, though would I believe so considering the numbers of interviewees and the two villages I have visited. I assume that the interviewees are representative of the average member. I have not been in a position where I can decline interviews; my dependency of MICHIZA is rather obvious, not able to establish contact with CEPCO, and being declined from UCIRI. If MICHIZA had declined access as well the study had to be revised, or the location moved to one of the nearby states, where there are several other cooperatives producing Fairtrade coffee. The interviewees have consisted of those being available, but they have been young and old, male and female. By having such a wide range of informants, I have gathered information which I believe to be representative for the members at the cooperative MICHIZA, though is the selection of representatives limited by the time available for the fieldwork – seven weeks.

4.6.3. Conducting research in a foreign language:

All informants speak their native language as their first language, Spanish being their second language, which even made it hard for them to understand each other sometimes. For me, the Spanish spoken with local accents was a challenge. Only one informant spoke English, and only one did not speak Spanish. It has been several years since I practiced my Spanish and hence I am not fluent. The language was thus a limitation in my work. However, I felt that I communicated well enough to not be using an interpreter. However, an interpreter could also have provided me with insight into the cultural context. An interpreter would have limited the access to the informants and created an even further distance between me and the interviewee, which would have affected the result; losing information, lack of conversations, subjectivity of the interpreter, or her/his miss-interpretations of unfamiliar themes. Hence everything would have been different, just by approaching the cooperative and get access with an interpreter would have been more challenging. The risk of misinterpretation was overcome by asking them to talk slowly and to repeat if I not understood. My level of Spanish may have affected the reliability and quality of the information, though I believe the advantages by not using an interpreter are greater than the disadvantages of my Spanish skills. Most informants had never been interviewed before, nor seen a recorder or a camera. An interpreter would have broadened the distance between us even more.

All interviews were performed in Spanish, to be able to follow and come with probe questions later, and to catch all points, all interviews were recorded and transcribed precisely with a dictionary later the same day. Conducting a research in a national and cultural foreign setting may pose several challenges. This may be regarding interpretation, and insensitivity to certain environmental and cultural aspects, which as interpreter could have helped me to overcome.

All interviews have been carried out in the interviewees' language; Spanish with the producers, and Norwegian at the corporations. Hence have all information and quotes been translated into English by the author.

4.6.4. Personal challenges

As a Norwegian girl, a foreigner, I was a stranger in all settings. However, I went to Mexico with my husband and my one year old son. They joined me on several occasions interviewing, such as to the Anniversary. This made the informants see me in a familiar setting, as a wife and a mom. Their approach changed positively when informing them about my status. My social role was familiar and easy to relate to, and created a common ground. Both the men and the women found this reassuring. As a researcher I found it easier to connect with the men, than the women. The women were more reserved and shy, and the men more forward. This may have been since I am a blond woman in a macho culture. The men were eager to talk to me, curious about what I was doing there and appeared flattered by being asked by me.

4.7. Reliability of data

The reliability of the data will be challenged by both internal and external factors. According to Mason are reliability, validity and generalizability "*different kinds of measures of the quality, rigour and wider potential of research, which are achieved according to certain methodological and disciplinary conventions and principles*" (1996:21 in Bryman 2004:273). The external reliability, if the study is replicable, depends on the access to the informants. It is impossible "to freeze" a social setting; MICHIZA's members change depending on the coffee price' fluctuation, however, the average member should be representative, as long the price still changes, Fairtrade exists and the base price changes, the environment will be present. The internal reliability is harder to question, due to only one observer. Due to the limitation of my Spanish skills this will have affected the data.

The external validity seems to be coherent with earlier findings by among others Jaffee (2007). It also seems to be replicable to other case studies by (Aranda, 2002; Bacon, 2004; Boersma, 2002; Murray, 2003; Ronchi, 2002; Wise, 2005). This is strengthens the findings further based on that this is a common weakness in qualitative research since it often employ small case studies. The internal validity is normally rather high, the ethnographic research allows the researcher to ensure a high level of congruence between concepts and observations (Bryman 2004:273). The data will also be affected by the level of trust established; whether the informants are honest, or are telling what they expect that I want to hear. However, the participant observation and the general impression correlate, and make the information reliable.

4.8. Assumptions

Since this is an inductive study, I already have a theory and hypothesis which I aim at testing. This may colour my interpretation of the information I gather, and provide hasted conclusions, based upon my assumptions. Still my task was to empirically investigate and gather information based upon the research questions and figure out how it actually is.

5. The international actors: The coffee houses

5.1. Introduction

This chapter presents the empirical findings of the corporations/coffee houses and analyse them with reference to the theoretical framework and the research questions guiding this thesis. The chapter is divided into three parts: The first part presents the corporations/coffee houses, their CSR strategies, their interpretation of CSR, and analysis the corporations' CSR approaches according to the theoretical framework presented earlier.

Western coffee consumers are one of the groups consuming the most coffee in the world, Norwegians being no exception drinking about 10 kg annually, equal with an averagely five cups a day (Joh.Johansson, 2010-2). According to Norwegian Coffee Information (NKI) there are seventeen registered Norwegian importers (Kaffeinformasjon, 2010), nine selling Fairtrade certified coffee. However, this is not coherent with Fairtrade Norway's list, which lists 13 selling Fairtrade coffee (FairtradeMaxHavelaar, 2008).

After an initial review of coffee importers and their level of Corporate Social Responsibility, eight corporations were approached for an interview. Five of the corporations asked were willing to be interviewed; Kaffehuset Friele AS (Friele), Joh. Johansson Kaffe AS, Kjeldsberg Kaffe AS, Ljöfbergs Lila AS and A/S Pals. All corporations have/or have had certified products, an ethical code of conduct, and a CSR strategy concerning their activities, their products, or their stakeholders.

In the following section I will briefly present each of the selected corporations, followed by a presentation of my understanding of their interpretation of CSR. Hence I will go through their actions which are a result of their ethical engagement – their CSR strategy. The last section is a short evaluation of the corporations' CSR.

5.1.1. Kaffehuset Friele

Kaffehuset Friele (Friele) had its first coffee shipment brought by ship to Bergen in 1799. Today Friele is one of the largest Norwegian coffee producer, with a market share of 35 percent - every third cup of coffee drunk in Norway are made from Friele's coffee. Friele has several brands, though their own Friele's Breakfast Coffee has a market share of 29 percent, the other labels has a 6 percent market share. Friele sells an annual amount of 12000 tonnes of coffee, and after decades of coffee production Friele has become a prominent, modern coffee importer.

Friele follows the trends in the coffee market, but at the same time maintains its core values; *“responsible passion produces the best quality coffee”* (Friele, 2010-1). A good example of this is that in 2010 50 percent of Friele's coffee will be Fairtrade and Utz certified, according to Engelsen, Friele's CSR Manager (Engelsen, 21.05.2010).

5.1.2. Joh. Johansson Kaffe AS

Joh. Johansson Kaffe AS is one of the leading coffee retailers in Norway, and owns 70 % of Norgesgruppen, Norway's largest grocery retailer. Joh. Johansson Kaffe AS sells an annual of

12500 tonnes coffee. It is run by 4th and 5th generation Johansson, and has recently bought Solberg Hansen, Norway largest speciality coffee brand, according to Glavin (04.02.2010), the General Manager of Joh. Johansson Kaffe AS. Joh. Johansson Kaffe AS claims to have a reputation of producing good coffee for five generations.

Joh. Johansson Kaffe AS is, contrary to the others, not selling a coffee with their own name as the brand. Instead they have a variety of coffee brands sold under the umbrella of their corporate name, targeting different social classes in the society: “*Evergood*” their finest selection, an exclusive blend for the fine taster. “*Ali*” which is the people’s coffee, and has an Utz certified darker selection. “*Farmers Coffee*”, is a Fairtrade certified coffee, and their “*Green World*”, is both organic and Fairtrade certified, among others. The two last are Joh. Johansson Kaffe AS’s more ethical products, though they emphasize that they act responsible through the entire value chain (Glavin, 04.02.2010). In addition they have a selection of speciality coffees; “the Coffee of the World” series, “Kaffemesteren” and “Caffè Roberta Espresso” (Joh.Johansson, 2010-2).

5.1.3. Kjeldsberg Kaffebrønneri

Kjeldsberg Kaffebrønneri (Kjeldsberg) is another family owned Norwegian coffee house, established in 1861. Originally Kjeldsberg had several grocery articles, but the coffee dominated their sales, and still does. Today Kjeldsberg has a market share at about 10 percent, according to Strand, Managing Director at Kjeldsberg (Strand, 28.01.2010). Kjeldsberg presents itself as a modern rational corporation, with products related to quality and innovation (Kjeldsberg, 2010-1).

All Kjeldsberg's purchases are done by approved suppliers, in the open market, mostly from the New York Stock market; a minority is purchased directly, mainly from Latin-America, but also from Tanzania and Vietnam. According to Kjeldsberg do their customers demand documentation on where their coffee comes from, so therefore do they demand this from their suppliers.

5.1.4. Löfbergs Lila

Löfbergs Lila (Löfbergs) is one of the oldest, but also most modern coffee-houses in Northern Europe (LöfbergsLila, 2010-1). It is a Swedish family owned coffee house, which entered the Norwegian market around 2000 (Andersson 10.05.2010). When referring to Löfbergs during this thesis it is to *Löfbergs Lila AS*, the Norwegian branch. If it is referred to the Swedish AB this will be stated.

The Norwegian coffee market is dominated by a few big corporations with direct retailer agreements, which has made it challenging for Löfbergs to enter the Norwegian market. Norwegians are very faithful to their brand, and new brands use time to establish them self. However, today the company has a prominent market share in Norway, being the 2nd or 3rd largest importer of Fairtrade coffee in Europe, buying their coffee from Central and Southern America and Africa, among other places Chiapas, Mexico (Andersson 10.05.2010). An increasing part of Löfbergs assortment today consists of certified product lines, and the entire corporations’ focus on social responsibility is tangible.

5.1.5. A/S PALS

A/S Pals (Pals) is another Norwegian family owned corporation. Pals is a wholesaler, selling mainly to bakeries and big households such as hotels and cantinas. They aim at having the entire product line needed to run an e.g. hotel, except from fresh products such as vegetables and fruits.

Pals coffee sale has lately become a major part of their production. Pals are Norway's 5th largest coffee manufacturer, selling around 500.000 kg a year. Approximatley 10 percent of their coffee is Fairtrade labelled according to Pals Product Manager at Coffee (Haavind 03.05.2010).

5.2. Interpreting Social Responsibility

All five corporations are chosen based on their ethical engagement, though they have all different interpretations of CSR. In the following their social responsibility will be further elaborated:

5.2.1. Kaffehuset Friele

The interview with Friele was made with their CSR Manager. Friele encourages responsibility and conduct their business with regard to economic, environmental and social concerns with responsibility. Friele's goal is to be actively engaged in environmentally friendly solutions, and be ethically responsible in all aspects of their business : "*(...) socially responsible trade is achievable trough collaboration between manufacturers, industry and trade. This is why we have chosen to join the Ethical Tradeing Initiative Norway (IEH).*" (Friele, 2010-1). IEH is; "*a member based resource centre and an advocate for ethical trade practices. It was launched November 2000 by the Norwegian Church Aid, the Federation of Norwegian Service and Commercial Enterprises, the Norwegian Confederation of Trade Unions and Coop Norway. Our objectives are to enable our members to overcome challenges linked to decent work and environmental conditions in global supply chains, and to strengthen support for ethical trade*" (IEH, 2010). *The IEH bill is in keeping with our own value norms, and has a goal towards development that we support fully*" (Friele, 2010-1). In addition to follow IEH's guidelines for achievement of a more ethical trade, Friele also has their own four core values connected to the corporations' behaviour; 1) to show initiative and enthusiasm, 2) to encourage knowledge and tradition, 3) to show respect and reflection and 4) to be open and honest. Friele also has a partnership with the Norwegian NGO Kirkens Bymisjon, which is considered important to achieve their goals and the code of conduct from IEH. The code encourages cooperation also with other NGO's promoting sustainable development, and stakeholders.

Friele aims at being actively engaged in "*environmental solutions and to be ethically responsible in all aspects of their business*" (Friele, 2010-1). This will create a safe workplace for all employees, encourage responsible behaviour, and consider ethical trade and environmental responsibility throughout the entire value chain.

Today, the coffee price is at its highest in 25 years. The coffee price is sustainable, according to Engelsen, and all different types of certifications that has emerged, contributes to this. Trading certified coffee is a mutual benefit, though on improved terms than earlier;

emphasizing that Friele does not *support* Fairtrade, but *buys* certified coffee (Engelsen 21.05.2010). Friele relates to Fairtrade and Utz prices, and to IEH's regulations, and thereby does no individual evaluation whether the price in itself is fair; they do not question the fairness of the price. Fairtrade emerged due to a request and need, hence is here to stay (Engelsen 21.05.2010).

5.2.2. Joh. Johansson Kaffe AS

Joh. Johansson Kaffe AS aims at running a sustainable and responsible business, though first priority is the economic results (Glavin, 04.02.2010). Joh. Johansson Kaffe AS's ethical aspiration is expressed through the coffees which are certified either as Fairtrade, Utz or Debio (organic), though sold as individual brands, and not under the name Joh. Johansson Kaffe AS as mentioned above.

At Joh. Johansson Kaffe AS's webpage there are some sections about social responsibility, as well as links to the web pages of their certifiers; Fairtrade, Utz and Debio. There are no explanations to the links, that is, why those are chosen, nor any comments concerning which principles the corporation is founded on (Joh.Johansson, 2010-1) or why they have these certifications or coffee's. Yet, it is stated why you as a consumers should buy the certified products.

According to the director at Joh. Johansson Kaffe AS, the consumers expect corporations to with take social responsibility, especially concerning future perspectives (Glavin, 04.05.10). In order to maintain sales and profit levels, Joh. Johansson Kaffe AS needs to think ahead, to think responsible within "*certain feasible frames*" (Glavin 04.02.2010). The idea of a corporation who acts responsible, appeared during 1990-95 when the management launched an idea of a corporation acting properly, seriously and trustworthy. The idea was launched due to pressure groups which had appeared among consumers and in the civil society, who increased their pressure on how corporations should behave socially responsible (Glavin 04.02.2010). Also Joh. Johansson Kaffe AS is member of IEH (Joh.Johansson, 2010-1).

The brand "*Evergood*"'s particular blend of tastes has been constant since 1950/55, and is not changeable: "*our products speak for them selves, no one earns on bragging, but the quality of our products are outstanding, and our consumers should both know and be able to rely on this*" (Glavin 04.02.2010) This is why "*Evergood*" has no Fairtrade certification. "*Ali*" however, has an Utz certified darker blend.

A bag of certified coffee needs to consist of 90 percent, or more, certified coffee. According to Joh. Johansson Kaffe AS Fairtrade certified coffee has not yet reached such quality level that "*Evergood*" can consist of certified coffee without jeopardizing its immense taste (Glavin, 04.02.2010).

5.2.3. Kjeldsberg Kaffebrøneri

"Kjeldsberg has a long tradition of taking social responsibility seriously. Nearly 150 years of business would hardly have been possible without the operation has been based on respect and good business ethics. As a coffee producer, we need a value chain where coffee growers play a crucial role. When coffee prices are low, there is a significant risk that the coffee farmers do not have the finances to produce good coffee. All stakeholders in the coffee

industry is dependent on it is profitable for coffee farmers to produce quality coffee” (Kjeldsberg 2010-2).

Further down on their webpage Kjeldsberg informs about other development projects that they are involved in; International Coffee Partners (ICP) which is a private sector initiative of five leading European coffee companies, Luigi Lavazza S.p.A. of Italy, Ljöfbergs Lila AB of Sweden, Neumann Gruppe GmbH of Germany, Gustav Paulig Ltd. of Finland and Tchibo GmbH of Germany; Kjeldsberg being in partnership with Paulig. ICP was founded in 2001, and ICP’s vision is to make smallholder coffee farmers competitive in order to sustainably improve their living conditions. To this end, ICP has completed five projects directly reaching more than 7500 farmers in Latin America, Africa and Asia Pacific. And other projects are on its development (ICP, 2010). Kjeldsberg is associate member in ICP.

The company is also member of IEH; Kjeldsberg has a *“long durability project following the guidelines of IEH, and will due time develop their involvement”*. IEH provides Kjeldsberg help and advises, and keeps them continuously updated on *“what’s happening”* (Strand 28.01.2010).

When questioning what Kjeldsberg means with social responsibility, the answer I received was: *“Kjeldsberg shall present their social responsibility through profitable operation that ensure the places of employments, through ethical and responsible business and sponsoring and support to different purposes. The sponsoring and support shall:*

- 1. Strengthen the corporation’s reputation and brand*
- 2. Strengthen cultural institutions in their local environment*
- 3. Support people who has difficulties at home and in the third world*
- 4. Create engagement and pride among its co-workers*
- 5. Pass on values and attitudes”* (Strand 28.01.2010).

Kjeldsberg does not have any certified coffees, and all their coffee is bought at the open market. This makes it hard to gain knowledge about the social conditions of the producers. Though does this not mean that Kjeldsberg not are social responsible, but rather has another approach than the other corporations; instead of certifying the coffee, Kjeldsberg supports Norwegian NGOs working both in Norway and in so-called developing countries, such as *“Save the Children”*, The Norwegian Church Aid and Kirkens Bymisjon (overset) as partners, and cooperate with several local sports and cultural organisations and groups. This was visible at their webpage earlier (05.2010), but this information was removed later this year (09.2010).

5.2.4. Ljöfbergs Lila AS

Ljöfbergs Lila presents their social responsibility as a core value; *“Responsibility: Through our dealings with consumers, employees, suppliers and the world at large, Ljöfbergs Lila wishes to help secure a world that works well for generations to come. We do this by taking social and ethical responsibility along the whole value chain, from grower to consumer”* (Joh. Johansson, 2010-1). A large section at Ljöfbergs Lila’s webpage is dedicated to environment and social responsibility and elaborates why social responsibility has such an importance.

Ljöfbergs Lila has chosen to not have a CSR Manager, hence CSR should be implemented at all levels at the entire corporation, by all employees in how they act and perform their tasks.

In other words, the responsibility for CSR lies with every single employee. When questioning why a corporation should be socially responsible, the answer is; *“but you have to; to maintain today’s levels of quality and amounts you need to invest in the market where you buy your coffee”* (Andersson 10.05.2010). As a corporation Ljöfbergs only sees advantages when acting social responsible, hence it must be done at all levels; as a triple bottom line. Yet, they are no charity organisation as Andersson points to, but a corporation (Andersson 10.05.2010). It means that; the commercial aspect still is in focus. Another benefit is that their CSR encourages the employees; they to become proud of their firm, and feel part of something bigger. Such an approach is assumed to, which brings forward the employees’ values, and to makes the corporation’s values feels genuine (Andersson 10.05.2010), ideally at least.

According to Ljöfbergs Lila was Fairtrade coffee of poor quality when Fairtrade was launched in 1999/2000. Increased production and quality has taken time, but today both are at a significant higher level. The amounts of Fairtrade coffee produced are constantly increasing and so is the quality. Today 20 percent of Ljöfbergs sales are certified. To Ljöfbergs the taste will remain the most important, but a coffee with meaning, preserving the earth and ethical aspects are as important today, this is also something all employees know (Andersson 10.05.2010).

5.2.5. A/S PALS

Pals has no social responsibility profile on their webpage, however they sell Fairtrade certified coffee, and Cup of Excellence coffee (CoE). CoE is a competition between where the very best coffee produced in that particular country, that in a particular year. The winner is awarded the prestigious Cup of Excellence® and sold to the highest bidder during an internet auction (CoE, 2010). CoE provides the producer with a higher share of the income, 3, and 5 percent higher than average, and creates a meeting point between small-scale producers and importers.

Among Pals coffee assortment, there is a link to their Fairtrade Coffee stating that Fairtrade: *“(...) guarantee that small-scale producers and plot workers in developing countries receives good working conditions and a safer social conditions. Through this the farmers are supposed to achieve direct access to western markets. This creates an environment for growth and development – for the benefit of humans and environment. These are values Pals wish to put forward and has therefore focused on a healthy and strong coffee from Central America”* (Pals, 2010). Nothing further is written, not at any other products (Pals being a wholesaler and has many product groups) nor any other mentioning’s of being a social responsible corporation.

Pals is a family run corporation, the director being son of the establisher, and normative when it comes to social initiatives. He has a strong, personal affection for the environment, and is honorary member in World Wildlife Foundation (WWF). Consequently, Pals is also devoted to activities which raises funds for WWF. However, the coffee is difficult to sell, due to that Pals is a wholesaler and not in direct contact with the end of the trade link, the actual consumer (Haavind, 03.05.2010).

To increase their sale of ecological coffee it is nowadays double certified, being Fairtrade certified coffee as well, Fairtrade certification being easier to sell (Haavind 03.05.2010). According to Haavind, Norwegian consumers are overall sceptical to new products, believing

that our Norwegian products are as pure and of good quality as the organic ones, which make it more difficult to introduce new products on the market (Haavind 03.05.2010).

5.3. Acting Social Responsible

5.3.1. Kaffehuset Friele AS

When Friele's intermediaries (middlemen) are buying coffee in e.g. Guatemala they are obliged to consider environmental and social relations at the production site. How are the production carried out, how are the environmental and social relations at place, do they correlate with IEH's demands? This contributes to improve living- and working conditions for the producers. The code of conduct which is developed together with IEH is the intermediaries' guideline to be taken into consideration when buying coffee from the producers (Engelsen 21.05.2010). Friele do their own controls when they travel to buy coffee, but reaches only a minority of their producers. Hence Friele is dependent on relying on their intermediaries. Friele's aim is to fulfil each consumer's expectations when they are drinking their daily coffee; behaving responsible and careful and at the same time deliver a quality product. According to Friele do today's consumers demand a responsible profile beyond trade relations.

Friele also supports projects; Carf, through Kirkens Bymisjon, a Norwegian organisation which works with prevention, rehabilitation and aftercare of street children in Brazil, aiming at changing the structures to eradicate the street children. They also support Casa Emmanuel, located in Brazil, which more or less has the same aims, supporting street children. In addition to this Friele supports several direct ventures at coffee farms in Brazil; among others support an education centre. When asked why they do support all these projects the answer is that today the consumers do demand that the company take a responsibility in addition to your initial trade. Your mere responsibility today reaches outside your earlier assumed borders, this is consumers' demands. With a range of offers to support several ventures, Friele has though decided to focus on a few rather than spreading their support.

5.3.2. Joh. Johannson Kaffe AS

Joh. Johannson Kaffe AS is involved in a development project in Guatemala which has been running for the past three years. The idea of the project has been to increase coffee production and quality. So far 6 -7 millions NOK have been spent on the projects, which aims to educate coffee farmers. The project investment is not seen as a marketing tool. The company rather finds it to be mutually beneficial, due to the potential of increased production for the company and for the producers' higher income and hence improved livelihood. So far there is no guarantee that the producers will maintain their production, and Joh. Johannson Kaffe AS depends on their coffee production; this becomes an investment for the future. In the project one also tries to establish whether if increased production may contribute to improve producers' livelihood and if this is the case, how. The project is carried out as cooperation between Joh. Johannson Kaffe AS and a German development organisation. The latter is involved in similar projects at other locations in Central- America (Glavin 04.02.2010). Other environmental initiatives have been to remove the aluminium from the coffee bags. As mentioned above, Joh. Johannson Kaffe AS has several certified coffee alternatives, Fairtrade, Utz and Debio (organic). This is mainly done in a response to consumers demand, and correlates well with the corporations' values of sustainability (Glavin, 04.02.2010).

5.3.3. Kjeldsberg Kaffebrønneri

Kjeldsberg do not have any Fairtrade products at the moment, nor are they having any other certified products. However they have earlier had an Utz certified product, which was elaborated 2003 as a project together with the “Strømme Foundation” and Folk International developing ”Partner coffee”. The project was based on Kjeldsberg’s import of high quality coffee from East-Timor as addition in the traditional Kjeldsberg blend. Also 0, 14 NOK from each bag coffee sold, was given as social premium to educated the coffee producers, both in East-Timor and other countries where the Strømme Foundation and Folk International operated. In 2007 600.000 NOK was conveyed the Strømme Foundation and Folk International as a result of the project for local development in their partner countries. Hence the project was liquidated due to complications with operating in the country, low quality on the coffee and complications with receiving the correct amounts. At present time as well Strømme Foundation is believed to have ended its cooperation in the country (Strand 28.01.2010).

The cooperation was challenging and is one of the reasons why Kjeldsberg do not have any certified products at the moment. Another reason is profit. When asked why they do not have any Fairtrade or any other certified products, the answer is *“we get a profit in our products, which we have chosen to use to support several other projects”* (Strand 28.01.2010).

The membership in ICP is also part of Kjeldsberg’s social responsibility; and ICP has several development projects improving living conditions of coffee producers around the world (see section above). They are also members of IEH and NKI (Norsk Kaffeinformasjon), contributing to set quality standards and develop cooperation with several larger cooperatives in Central-America among others, guaranteeing a fair price.

Kjeldsberg does also support several cultural projects in its local environment.

5.3.4. Löfbergs Lila AS

Löfbergs Lila’s social responsibility is incorporated into all their actions, involved in several projects and involvement. They do not have a CSR manager, since they believe that CSR should permeate the entire corporation. However it is worth mentioning that those handling questions concerning CSR are the Marketing Manager’s both at Löfbergs Lila AB in Sweden and at Löfbergs in Norway.

Löfbergs is a member of ICP (as Kjeldsberg is associate member off); which aims to develop and improve living conditions among coffee producers. ICP engages in projects which are sustainable in the sense that they must be able to continue without financial support for ICP in the long run. So far eight projects has been carried out in Guatemala, Honduras, Peru, Colombia, the Dominican Republic, Tanzania, Cameroon and Uganda in collaboration with development organisations according to Andersson (10.05.2010).

Löfbergs also supports UNICEF. The project support is a mutual win-win situation where both parties at the moment are elaborating new development projects for further mutual win-win situations (Andersson, 10.05.2010). Through their coffee ‘Fairplay’, Löfbergs supports the Norwegian Red Cross where the profit are reversed to the consumers through the Red Cross relief work in Norway; searching for missing people in the Norwegian mountains;

supporting Norwegian children – in other words - to Norwegian welfare. ‘Fairplay’ is also Ljöfbergs Lila most increasing product. In Sweden Ljöfbergs Lila AS cooperate with Svenska Naturskyddsforeningen (The Swedish Society for Nature Conservation (SSNC), an environmental organization), which challenges café’s to sell organic coffee. Also this project attends both parties interest (Andersson 10.05.2010). The projects are being carried out as a; “(...) *pay back to the earth, as an entirety of responsibility. There are thirty millions working with coffee, and there is no future in what has passed but our experiences may we take with us into the future. Future generations need to with take a higher degree of responsibility as consumers*” (Andersson 10.05.2010). Andersson believes that the consumers’ power will continue to increase, and so will direct trade. Norwegian price differ up until 20 percent between certified and not certified products, though are the price differences now decreasing. To increase the sale of Fairtrade, the Norwegian state could remove VAT on certified products to promote them. Also distribution in Norway is a challenge and a high cost when introducing new products, with little sales; “*I get rash on my entire body when I think about how much we spend on distribution in Norway compared to Sweden*” (Andersson 10.05.2010). This may be an explanation why Norwegians are slower to expect new products, and why Fairtrade and organic products uses longer timeto establishe on the Norwegian market.

5.3.5. A/S PALS

Pals sells coffee from the cooperative Fedecocagua in Guatemala to Baker Hansen, a large Norwegian Bakery chain. As “*aid*” Pals and Baker Hansen has a development project together – to improve the living conditions for the cooperative members at Fedecocagua. Baker Hansen and Pals have cooperated on establishing a fund contributing 50 percent each which is investing in stoves and improvements on the houses of the producers. So far twenty houses have been improved. This is done in addition to the regular trade with coffee, the Fairtrade certified coffee. Pals underlines that they wished to give something additional to their cooperative producers, something more visible. The producers’ at Fedecocagua gets a minimum pay, though the payment varies depending on the coffee price. Improving the houses was according to Pals “*a luxury*”, even though the interviewee admits that she was “*surprised over their living conditions, even though there are many around the world living in worse conditions*” (Haavind 03.05.2010). Bearing in mind that Fairtrade is supposed to assure decent living conditions, hence a fair price should cover proper housing and cooking facilities.

Defining “*aid*” at Pals means when they support the cooperatives or organisations; e.g. WWF, through a small amount of the surplus from the production of a bread mix which they sell to bakeries, which is called Panda. Pals engagement with WWF is interlinked with their own future. Pals also have several ongoing projects to reduce their environmental footprint in the coffee production; reducing packaging of their products, saving electricity, changing to gas burners among others (Haavind 03.05.2010). Other “*aid*” projects is being manufacturer of Fairtrade coffee, and having organic products.

Pals emphasizes that they are bound to adapt to new trends; the new “*it*” word is *sustainability*, says Pals Administrative Director Raanaas (03.05.2010). Pals had just participated at World Coffee Forum, the main focus here also being sustainability in the coffee production, e.g. through Rainforest Alliance coffee, yet another certification, which Pals also expects will come to Norway within a few years (Raanaas, 03.05.2010). Pals are considering adding other certified coffees, based on opportunities. Pals do not believe a

change in certifier will confuse the consumers. Most important is that the company's production has been sustainably performed (Haavind 03.05.2010). However, Pals is a corporation and dependent on selling their coffee.

5.4. Why Fairtrade?

5.4.1. Kaffehuset Friele AS

Friele's sale of Fairtrade certified coffee is about 2 percent, though are their Utz certified sale at almost 50 percent, and an increase is planned. As a sign of their priorities of CSR Friele has a CSR Manager. The reason why Friele has chosen to use a majority of Utz certified coffee in comparison to Fairtrade, is due to several reasons: Utz certification reaches mainly towards middle size coffee productions, which makes the coffee more accessible; the production is larger, and a larger quantity of the coffee meets the high quality standards (Engelsen, 21.05.2010). Friele's prices are not increased parallel with the cost of certified coffee, hence certified coffee is seen as an investment for own future production and sale. Worth noticing is also that the coffee price is at present moment at its highest peak in 25 years (Engelsen, 21.05.2010). A change into certified coffee will mostly be an expense for Friele. According to Engelsen has Utz a more sustainable profile, focusing rather on economic development at middle size production sites, in comparison to Fairtrade who is small-scale producers, and focuses on social development.

5.4.2. Joh. Johannson Kaffe AS

Joh. Johannson was the first in Norway to have Fairtrade Certified coffee; "*Farmers Coffee*" though is their sale interlinked to demand and not as much to their social responsibility, at least is this the impression from their webpage and the interview, though does it also correlate with the values of the owners. Hence it was easy for the corporation at an early point of time to support the idea of Fairtrade, since it correlated well with the aims and values of the corporations (Glavin, 04.02.2010). As long as the demand persists, Joh. Johannson Kaffe AS will maintain their Fairtrade sales. In the long run Glavin (04.02.2010) believes that certification will evaporate due to the standards have been improved, and the need has decreased.

5.4.3. Kjeldsberg Kaffebrønnen

According to Kjeldsberg is Fairtrade a certification scheme which the consumers so far do not seem to prefer, the demand is too low (Strand, 28.01.2010). Kjeldsberg sees Fairtrade as a commercial organization, which not necessarily contributes to produce the largest volumes of certified coffee. A low production is according to Kjeldsberg an obstacle for their sales, one should rather aim for having a small amount of certified coffee in all sold coffee bags, e.g. 5-10 percent, though not necessarily Fairtrade certified but at least certified. Such a system would ensure traceability of the product, cultivation methods and that the producers have received a fair price, at least of a part of the product (Strand 28.01.2010). This will also go for the traceability, which also just be part of the product. Moreover, Kjeldsberg's representative finds that today's different certifications confuses the consumers; which is why there rather should be a small amount of certified coffee in all coffee sold than some with and some without certification (Strand 28.01.2010).

Kjeldsberg calls for a registration office which conveys how much payment each farmer receives for his coffee. Kjeldsberg believes that the present focus on fair trade and ethics within trade will continue, merely focusing on organic, ethics and sustainability due to new trade agreements and principles within the EU and EØS (Strand 28.01.2010).

5.4.4. Ljöfbergs Lila AS

Fairtrade is, according to Ljöfbergs Lila, the certification which is developed the furthest. It is the strongest one, having a minimum price. Still, though Fairtrade has a long way to go to become what they strive for, and it still faces many challenges. Ljöfbergs Lila believe that the sale of certified coffee will continue, that it has come to stay, and will continue to increase. Organic certification has come much further, especially in Sweden and Denmark. In 2007/2008 did the Swedish state demand that “*we should be good for the earth, and have an ethical perspective*” according to Andersson (Andersson, 10.05.2010), and there will always be different kinds of certifications to promote fair trade. Hence a multinational corporation and a family corporation will always have different values. The market will therefore remain with different certifications e.g. Ljöfbergs Lila’s priorities compared to Friele’s. The certified coffee will continue to be more expensive, though be worth a higher price; hence quality will continue to develop. Thinking sustainable was early implemented at Ljöfbergs Lila; through improved packaging when removing the aluminium from their packaging, selling organic coffee and later also double certified coffee, certified both as ecological and Fairtrade.

Worth mentioning is that Ljöfbergs Lila, being one of the largest buyers of Fairtrade certified coffee in Europe, also makes them a prominent actor when demands are stated at FLO. Ljöfbergs Lila does this to assure that they get ones money worth, and assuring the quality. In addition they mean that Fairtrade is sustainable, stating it clearer than the other corporations, having another awareness caring about the future and influencing the future (Andersson, 10.05.2010).

“*Some producing countries are poor and the peasants are at the mercy of world market's strong price variations. This can be tough for those who have coffee cultivation for a living. In order to create confidence and improve conditions for them Fairtrade labelling are established. It is a product brand which guarantees that producers receive fair payment for their work. It also means that the coffee is made in an ethical and socially responsible manner*”(LjöfbergsLilaAB, 2010). The quote is from is from Ljöfbergs Lila AB’s webpage, implying that the corporation pays their producers’ a fair price, when trading Fairtrade certified coffee. Ljöfbergs Lila follows FLO’s minimum price at 1, 25 USD /pound. They do not make an independent evaluation whether this is a “fair” price (Andersson, 10.05.2010). This price is a minimum, and depending on how how the New York stock market changes, they pay that price, plus an additional 0,10 USD /pound as a premium when it is Fairtrade certified. If it is ecological they pay another 0, 20 USD /pound. When buying directly from the producers they either pay market price, or a higher price depending on the quality of the product. Fairtrade’s price shall at anytime be above the regular prices, which it will be with the premium. Concerning how *fair* Fairtrade is; Ljöfbergs Lila relies on Fairtrade’s prices, but this of course puts an enormous pressure on FLO, which in return inherits an enormous power.

5.4.5. A/S Pals

When Pals started with Fairtrade coffee, it was after a request from Studentsamskipnaden at the University in Oslo. Pals won the tender for delivering coffee to the university's cafés, and the university requested Fairtrade certified coffee (Haavind, 03.05.2010). Since then Pals has had Fairtrade coffee in their assortment. Pals Fairtrade sale is founded on demand (Haavind, 03.05.2010).

Pals also buys their Fairtrade certified coffee from Fedecocagua, a small-scale cooperative in Guatemala, and their organic coffee is bought from a cooperative in Honduras. This is; *“a great possibility to help farmers around the world, directly to improve living conditions instead of going through aid in other organisations where it will be taxation and governmental fees”*(Haavind, 03.05.2010). Though underlining that; *“they do not drop the aid for this.”* (Haavind, 03.05.2010).

5.5. Measuring CSR

As stated in Chapter Two, CSR is hard to measure due to the varieties of interpretation and lack of juridical framework (Kalstad, 2006; Ørstavik 27.02.2008), Moreover, the concept overlaps with so many other concepts; “corporate citizenship, sustainable business, environmental responsibility, the triple bottom line; social and environmental accountability; business ethics and corporate accountability” (Moon, 2004 in Bromhill, 2007:4-5). Still, a way to measure CSR is through Corporate Social Performance (Orlitzky, 2000). Corporate Social Performance, implemented through Corporate Social Responsiveness. Corporate Social Responsiveness is based upon three mechanisms for measuring their CSR; **environmental assessment, stakeholder management and issues management.**

It is not the aim of this thesis to judge to which degree the corporations engage with CSR, but rather to see whether their interpretations are sustainable and contributes to development according to Brundtland's definition of sustainability (Brundtland, 1987). All corporations claim to be social responsible, either presented at their web pages, or during the interview. To evaluate to which degree they are sustainable, I will use Corporate Social Performance measured through Corporate Social Responsiveness: Corporate Social Responsibility may be discerned through three principles or parameters; the first being **legitimacy:**

The society grants the business legitimacy, if not, the corporation will lose its power. Friele, Joh. Johannson Kaffe AS, Löfbergs Lila and Pals have Fairtrade products due to demand. By fulfilling the demand the corporation is granted legitimacy. The same accounts for social responsibility: according to Friele and Löfbergs do their consumers expect that the corporations act social responsible, though this is not the sole reason for how they act. To maintain their market share, to be able to import such big quantities of coffee, a more sustainable thinking is necessary (Glavin 04.02.2010; Andersson, 10.05.2010, Engelsen 21.05.2010). For the producers to be able to maintain their production; the quality and volume, they need to be educated about how to preserve environmental sustainability that is in the interest of all, both Friele, Löfbergs, and the producers, and also the consumers (Engelsen, 21.05.2010; Andersson, 10.05.2010).

The second principle is **public responsibility** at organizational level. All corporations are members at IEH; providing them with trends and updates, but most of all “the Ethical Code of Conduct”. As above mentioned “the Ethical Codes of Conduct” are merely used by the corporations’ intermediaries, providing guidelines for working conditions; demand to production at the cooperatives and plants. The codes deal with working conditions; payments, hours at work, equipment and so on for the producers. Though do the codes not guarantee anything; either that the intermediaries take the code into consideration when trading, or that the conditions are applied at the *cafetales*. The codes are not used at Fairtrade certified *cafetales*, these being already certified by FLO Cert (see chapter 2.2.2.).

When trading coffee the corporations either buy through intermediaries, from the New York Stock market, through CoE (see chapter Pals in 5.2.5) or directly from the cooperatives, so-called Direct Trade, or being certified coffee. Direct Trade working conditions and a fair price may be controlled and guaranteed. Most corporations assume Fairtrade’s price level is sufficient, and the corporations do not question to which degree the price being paid is fair, or sufficient, but relies on FLO. For the corporations relying on their intermediaries is crucial, however when travelling to find new coffee plants, the corporations sometimes visits the cooperatives. Though they do not have the possibility to visit each and every farm, in the end they are dependent on their intermediaries and FLO Cert.

All participating corporations are or have been involved in developing projects; at producers’ homes, installing stoves, windows, fresh water, and improving sanitarian facilities. Other projects are more related to production; educations projects to improve cultivation techniques and production quality, both for more sustainable production, but also increased income. Joh. Johansson Kaffe AS, Kjeldsberg and Pals buy a higher share through intermediaries, and therefore rely more on their intermediaries’ actions and obligations towards his/her employer to maintain their interest in the letter of conduct. Friele and Löfbergs Lila buy a higher share directly from cooperatives, due to their amounts of certified coffee. This provides a higher degree of control of working conditions among their producers.

The third, and last, principle is **managerial discretion** – which means that the managers are the moral actors and hence obliged to act as to ensure socially responsible outcomes. This is the most challenging part; the managers own the domain of CSR within the corporation. The corporations’ direction depends on their initiatives, and knowledge. As will be recalled Friele has a position dedicated to take care of the company’s CSR engagement, which also is becoming more and more normal at other corporations, though not the others participating in this study. At all other firms I either spoke to their managing directors or the one responsible for their coffee production or sale; however at Löfbergs Lila both being interviewed are marketing manager. All first contact with the corporations have been done to their “contact ads” at their webpage, and then further led to those responding to my approaches. Löfbergs Lila’s being rather consent on not having a CSR “employee”, CSR being a part of the entire corporation, it is still worth mentioning that the ones responding is their marketing managers.

Based on my interviews and through exploring the way the companies present themselves to the public through their web pages, I find that Pals, Kjeldsberg and Joh. Johansson Kaffe AS has a different interpretation of CSR then Löfbergs Lila and Friele. At Pals and Kjeldsberg it is more at an individual level, dependent on the managers or owners personal involvement. The entire corporation is not involved. They have not linked Fairtrade and sustainability to the entire corporation; it is still single actions, related to personal interest etc. Joh. Johansson has an updated interpretation of CSR, though does not “use” it as a marketing tool, however does

this correlates with the director/managers view; “*no ones earn on bragging*” (Glavin 04.02.2010). Pals is engaged in environmental preservation, and supports WWF financially and has several withdoings to reduce their use of energy, however most have already been withtaken at the other corporations. Kjeldsberg acts social responsible through financial support, though to local cultural happenings and sports events and local charity organisations providing to the Norwegian society. It may be that Kjeldsberg experience another outcome, local attachment and appreciation, which has a higher value for the corporation. However does this not correlate with my aim, and does not contribute to sustainable development. Worth remembering is that Kjeldsberg no longer buys certified coffee and Pals buys certified mainly based on demand.

As previously mentioned in this section, Corporate Social Responsiveness is used to measure CSR based on an environmental assessment, a stakeholder management, and an issues management (Orlitzky, 2000). The **environmental assessment** is an impact study. It is either positive or negative, investigating the business environmental impacts – this has not been the main focus for this thesis. I am mainly focusing on the issue of Fairtrade, though the environmental impact is relevant considering the effect it has on the corporation’s social responsibility, taking the sustainability aspect into consideration. Acting socially responsible does have an environmental aspect, and all of the corporations are emphasizing their environmentally friendly actions; such as not using aluminium in their coffee bags, having new and efficient production plants (Kjeldsberg) and making their packaging more efficient (Löfbergs Lila and Pals). An environmental impact assessment would have to consider all aspects of the corporations’ actions, which here have not been possible, or relevant.

The second mechanism; **stakeholder management** concerns Fairtrade when Fairtrade is being a part of their CSR profile. Both Friele and Löfbergs are clear here; their Fairtrade/Utz purchases are related to their CSR, a responsibility towards their stakeholders. Pals and Joh. Johannson are motivated by demand, though supports the idea and the outcome.

The last mechanism is **issues management**, called to be representing the boundary-spanning roles (e.g. public-private partnerships) and internal functions (e.g. corporate ethics programs) needed to monitor pressing social issues (Orlitzky, 2000). This may be analysed, since a mutual partnership between the corporations and the producers is vital in a sustainable development aspect. The mutuality should lie within a mutual benefit from the trade, though with the present price level on coffee, is a mutuality and partnership achievable? Is the ethical “code of conduct” based on IEH memberships fulfilled? Confronted with this question, all informants seem very proud of being members of IEH, and not critical to which degree they fulfil the aims concerning the Ethical Code of Conduct. Several of the codes emphasize the importance of the working conditions for the producers; eight hour working days, one day off every week, vacations, no child labour and so on. When asking if this is fulfilled, all my informants answer that they do not know, though their intensions are that this should have been done, their intermediaries are obliged to follow the guidelines.

Partnership also concerns issues management. Fairtrade aims at a mutual relationship, a partnership between producer and manufacturer, which others questions if at all is possible (Perk, 2006). Friele, Löfbergs Lila and Joh. Johannson Kaffe AS have all development projects, to educate producers, to increase production, maintain quality, and to gain sustainability. This is the mutual benefit. Thus, it seems as if the corporations are dependent on the quality to such degree that if the quality decreases, they will search for a new producer. The producers are still more dependent on the corporations, than the corporations are on the

producers, though on the other hand, the corporations have realized that to maintain production and quality they must invest in educating the producers for sustainability. Hence is the partnership closer to being possible than earlier.

6. Local producers – the members of MICHIZA

6.1. Introduction

Chapter 6 presents the findings from the fieldwork conducted in Mexico, with employees and producers in the small-scale cooperative MICHIZA. The findings are presented in two sections; one presenting their livelihood resources; social, human, natural and economical capital, and one presenting their livelihood strategy – to what extent Fairtrade has contributed to sustainable livelihood and development. The findings use Scoones (1998) ‘Sustainable Rural Livelihood Framework’ as base. The sections present the findings and analysis in accordance with the research questions stated in chapter 1.2. The last section concern MICHIZA’s future challenges. The last part merges CSR, Fairtrade and sustainability; However, first a brief introduction of MICHIZA, followed by a description *Jorge*, an average producer, will be presented.

MICHIZA is a small-scale coffee cooperative, with its headquarters located in the outskirts of the state capital, Oaxaca, in Mexico. As mentioned earlier (see chapter 4.3.) local coffee producers were inspired by a cooperative established in another part of the state. The other cooperative were receiving a higher payment due to fewer intermediaries. Our producers, after some initial tough years, were they finally established and certified as MICHIZA in 1985. The first direct trade was carried out in 1992 to the Netherlands. Their new trade relations provided them with a larger amount of the profit available for local development (Jaffee, 2007).

As previously stated, MICHIZA consists of members from six indigenous groups; Mixtecos, Mixes, Zapotecos, Cuicatecos, Chatinos and Chinantecos. They live in the state of Oaxaca, which is divided into six regions. The distance between the villages is long, and when community representative arrive at the monthly meeting s/he has travelled for hours or even days. They all speak their respective native language connected to the area and tribe, e.g. the Chatinos speak chatino, and come from El Costa (the coast line) (Jorge, 27.02.2010). Today most of them also speak Spanish which eases the communication within the cooperative, but it also has other advantages such as integration. Earlier, only a minority spoke Spanish, and most members had only a few years of primary education and Spanish was being taught at school (Rigoberto 20.02.2010).

There are only a few, yet important criteria connected to being a member in MICHIZA; to transform into organic production, to be a small scale coffee producer and to follow MICHIZA’s objectives (see box: Objectives of MICHIZA in chapter 3.2.) (Rigoberto 20.02.2010, Araceli 19.02.2010, Jaffee 2007). The members pay no fee, and are free to join as well as to leave the cooperative at any time. The lack of strict rules for joining and leaving creates an unstable pool of members who change their membership depending on the coffee price; if it rises, several may afford to stay independent, if it sinks; they join. This makes the member list ever-changing, and also hard to be certain of the total production amount for sale. The challenge is therefore not to sell the coffee, but be able to guarantee coffee for their customers, the importers (Araceli 19.02.2010). Members sell their coffee through the cooperative, which has trading partners in Europe and in the United States. As a MICHIZA member you actively participate in the cooperative through courses, reunions, being in the local community board; either as a representative at the monthly reunions Oaxaca, or with taking a larger degree of responsibility locally. One way to do this is through measuring the members’ production before it is being picked up by MICHIZA’s annual collection. All

members are encouraged to participate in seminars and courses to improve their production and living conditions (Rigoberto 20.02.2010, Araceli 19.02.2010).

A typical MICHIZA member is a rural family, living in the mountains. The average age of the members is estimated to be 48 years (based on 26 interviews with random members). According to Rigoberto (20.02.2010) 30 percent of the members are women. 19 percent of my representatives were women. Most members have either been members since the cooperative was established (7/26), have inherited their membership from a parent (2/26) or joined after ICA collapsed in 1989 (8/26) (see chapter 2.4). The others joined from 2000-2005, when the coffee price was increasing, though still remains at a low level since the price crash (see Table 4). The members are as mentioned earlier, political active belonging often to the radical left, though not through parties, but rather as a point of view (Jaffee 2007). A majority of the members are getting older. Many of the young in the villages migrate to the cities to get an education. Fewer and fewer are interested in staying in the countryside, cultivating the coffee, seeing the poverty their parents live in. Instead they move to the cities searching for better living conditions. One of the youngest members of MICHIZA, Sebastian, is 30 years old. He mentions the age structure of members as one of the biggest challenge for the cooperative in the future, to make new younger members. Whilst the members are getting older, their capacity and health are weakened. Medical treatment is expensive and mostly available in the cities and not at the countryside. The infrastructure in the area is poor; often there is no public transport, but *colectivos* (taxis where you pay per seat) who takes the passengers wherever they want to go, no matter the conditions of the road. The nearest town is often several hours away. When visits are paid to the town it is mainly to sell surplus production; vegetables, *milpa* and sometimes also handicrafts which the women produces to increase the family income. Many of the women has a small shop, selling candy, chips, water, some toiletries, washing powder etc. The products which the women sell are brought to the villages by the *colectivos*.

6.2. Jorge – a MICHIZA member

Jorge, a MICHIZA member invited me to visit his *cafetal* at MICHIZA's 25th Anniversary. The direction he gave me was to his wife's shop and *comedor* (small family owned restaurant directly linked to their home). I had taken two buses, arriving at a small dusty town, where Jorge had told me to take a *colectivo* to our meeting point. When I finally located a driver who was familiar with my end destination, it turned out that the driver knew Jorge, and were bringing back some meat from the city to Jorge's wife's *comedor*. After half an hour drive, we arrived a small village; the houses were located along the road, most having a small shop and one a *comedor*, Jorge's wife.

Jorge's family has two houses, one where he lives with his wife, her childhood home, and one in the mountains, closer to the *cafetal*. They live with their two children and her father, after her mother died. I was first served a meal at his wife's *comedor* consisting of beans, fried meat (from the *colectivo* driver) and *tortillas* (cornbread served to all meals) and a soda from her shop, all one the house. I was left to eat alone, while the kids were watching cartoons on their TV. When I had eaten I used the toilet facilities. The toilet was a flush toilet, newly installed. It seemed that I had come to one of the wealthier families in the area, judging by the facilities. Jorge's other house, is one hour drive away in one other village, closer to the *cafetal*. The drive goes on stony roads, covered with dust. I can only imagine the state of these

roads during the rainy season, making remote areas even more remote due to lack of infrastructure.

Photo 3: Mixteca Mountains



The other village is located on the top of a hill. It is a simple brick house still under construction, with fewer facilities; it has no windows or doors, just curtains of plastic. Jorge lives here during periods with much work at the *cafetal*. His *cafetal* is four hours walk away, so instead of walking there, it is getting late in the afternoon, we visited a renovation project, and one other MICHIZA member. Most producers have a small cabin close to their coffee plant, and so does Jorge. During periods with hard work he stays there one to two weeks at the time. Then he returns to the family (Jorge 03.03.2010). This is a common arrangement in most families. While the men are away working, the wives are responsible for the home, children and in Jorge's wife's case also the shop and the *comedor*. The children are attending the local school. When they are not at school, they stay at home, helping out their mom and playing.

(Source: author, 2010)

Their house has several animals; chicken, cats, dogs and a goat, and located close to the river. Just before we left for the plant, his daughter took me for a walk. She showed me several plants and trees providing fruits which they use in their diet; mangos, bananas. She also introduces me to her cousin who lives next door.

Up in the village we walked on dirt roads, and passed several houses, all made out of concrete and bricks with variable standard. Most houses gave a patchwork impression, being built during decades, expanded when affordable. They all have fences to keep their domestic animal inside; goats, dogs, mules and chickens, though some seems to have found a secret exit, hens and chickens are all over road. The air is fresh, the sun strong, and grass green, and the village sleepy. Some women are drying coffee on their *patio* (concrete front porch financed by MICHIZA for coffee drying), turning it around and around in the sun. They have several sacks of coffee stored up at the wall, ready to be collected by MICHIZA's truck that comes one of the next weeks at its annual round.

6.3. Livelihood resources

Measuring whether a livelihood is sustainable may according to Scoones (1998) be done through analysing livelihood resources through; human, social, natural, economical/financial capitals (Scoones, 1998 in Krantz, 2001, p. 8). Here the livelihood resources will be presented in these thematic groups, though some groups are more emphasized than others due to the information being more available.

6.3.1. Human capital

Human capital refers to the amount of competences, knowledge and personality attributes embodied in the ability to perform labor so as to produce economic value.

- Shelter

The members' houses are of variable standards, though a good status indicator. All members of MICHIZA want improved facilities, and when increased income they would all invest in their house (Rigoberto, 20.02.2010; Jaffee, 2007). MICHIZA's members' has averagely a higher standard on their houses than non-organised producers, due to additional income sources, larger *cafètales* or are wealthier for other reasons. The average producer has a general low standards in his/her house, with one big room where everybody sleep, an outdoor kitchen and some only have an outdoor toilet in a shed.

Jorge's house is nice, and witnesses an additional income source; it has good sanitarian facilities and windows compared to the others. This is due to that he owns more land than most others, his wife's *comedor* and shop. Measuring wealth may be done through considering the sanitary facilities, and how well equipped the house is (Krantz, 2001). If they have a toilet, and a shower, maybe not with flush and running water, but they have the furniture and use a bucket, they would be considered rather wealthy. Others have only a small shed behind their house. They would also have a better location of their house, windows and doors. A rich family could in addition afford to buy a cab, to create an extra income, a TV, a more fully equipped kitchen and separate bedrooms.

At one visit to a village I was told that by arrival I should contact the professor for accommodation. At arrival the professor was not apparent, and I started to ask around for an alternative accommodation. There were no hotel or hostel in the village, nor were any of the others offering a bed. Luckily the professor arrived later, and provided me accommodation. He had also earlier provided accommodation to a student, because he had a spare bedroom, maybe the only one in the village. He was wealthier than the others, and had recently built a new house (Alfredo 14.03.2010). By watching whether the house has windows, doors, how the sanitarian facilities are, how many rooms, spare room e.g. one can assess their economic situation. Alfredo and his wife were in their fifties, considered wealthy by the other members in the community, and had five children, with two of them still living at home. One was living at home with his wife and son, and one daughter was living at home with her daughter. The son living at home works with his father at the plant, the daughter helps her mom in her daily doings. The family has 1, 5 hectares of land, and produces about 400 kg/year.

Another interviewed was Angelica, who lived together with her daughter and her grand children. They have nine mouths to feed, from the production of 1, 5 hectares with coffee. She has been a member since MICHIZA was established. They live in a brick house, but without any windows, only a plastic curtain covering the window and the toilet is in a shed behind the house, being a hole in the ground. Not all are as privileged as Alfredo's family.

- Nutrition

One other possible parameter of social capital is diet. When Alfredo and his son leave the house in the morning the women; the mom, daughter, daughter in-law and the two children, remain. They start their day early, sweeping the courtyard, lightening the fire underneath the black beans eaten at all meals also used for cooking the *tortillas* (thin corn breads) the coffee

– a weak, sugar filled coffee and the omelette for the breakfast. The breakfast is eaten early in the morning with bread, beans, eggs and avocado or other fruits and tea or a sweet coffee, and dinner, *cena*, consists of more or less the same; beans, tortillas, rice, some vegetables from their own production (carrots, potatoes, onions, squash, peppers i.e.). Their day is spent with cleaning, sweeping, laundry, and maintaining their garden and taking care of the children. In the evening, the man and son returns, and the dinner (the second meal of the day) is served; again black beans, *tortillas*, and a stew of vegetables, and maybe some meat. The family eats twice a day, with exception from the children which eat three times a day, which is all they can afford (Sara 14.03.2010; Angelica 14.03.2010). The food consist of self-produced, vegetables and eggs, and sometimes white meat; no fish and rarely red meat. Fish is rarely eaten since there are no ponds or lakes in the nearby areas; fish is bought from the city. In stead of eating fish, dried shrimps are eaten. They have longer durability, though are expensive, so only a few families can afford it. The family members are not undernourished, but have a limited variety in what they eat (Gregorio 15.03.2010). The informants admit that eating twice a day is not enough; three meals would have been ideally, though not affordable.

Sara 35, with nine mouths to feed admits that they sometimes have too little food. They rarely eat red meat, but rather chicken and eggs since they have hens themselves (Sara 14.03.2010). The children eat three meals a day though, since they are still growing and needs nutrition more often, this goes for all families interviewed. Manuel also admits that they eat meat rarely, maybe once a month, or once a week. “*We eat what we have*”, is a phrase frequently repeated (Manuel, 28.02.2010 and Gregorio, 27.02.2010). Most men would like to have eaten red meat more frequently.

- Education

Sebastian 30, has a higher education, though in contradiction to Alfredo’s teaching abilities, Sebastian has an education which is almost good for nothing when there are no professions of such kind in the village. To create an extra income he is driving a *colectivo*, as Alfredo’s son, though Alfredo’s son owns his car. Sebastian’s everyday was a struggle for survival, to put food on the table and to afford clothes, and diapers for the baby, but he and his wife rather remained poor and living in the village than moving to the city where he could have used his education, if he had gotten a job there (Sebastian 15.03.2010).

Today’s educational level is improved; nearly all children attend school, both primary and secondary level in the villages. Most adults have primary school, a few has also an additional education e.g. as teachers and engineers/technicians, though the last mentioned ones are not able to use their education in the villages, such as Sebastian 30. Most producers have reading and writing abilities, though I also met those who did not write or read, nor spoke Spanish, all normally taught at school. As mentioned earlier all producers associated to MICHIZA belongs to indigenous groups, speaking their native language as first language. Spanish is thought at school and becomes their second language.

When asked advantages with attending school, the most frequent answer is to learn Spanish, and to read and write. Those who only have a few years of school among the adults were either taken out of school due to lack of finances; tuition, uniform and books, or being needed for their working abilities at the *cafetales*. The average number of children attending school has increased a lot after MICHIZA was established, MICHIZA emphasizes the importance of education. Today all children attend primary and secondary school. These schools are located in the villages; however further education depends on the family’s income. Most families attempt to send at least one child for higher education in the city. Since there is no higher

education in the villages, the high schools are located in the nearby city, and the children will have to move, with the result that when the education is terminated, the child remain in the city. This happen both due to lack of jobs related to higher education in the villages, but also since they have been accustomed to the life in a bigger city. Normally they then send money home when they have started to work after ended education. This is expected by the parents.

6.3.2. Social capital

“Social capital is about the value of social networks, bonding similar people and bridging between diverse people, with norms of reciprocity” (Knoke, 1999 p.18 in Claridge, 2004) Social class shows to an economical and cultural class within a society, often discussed in terms of social stratification; a hierarchical arrangement of individuals into divisions of power and wealth in a society, this can also be seen in correlation to the above mentioned shelter and nutrition, which provides an indicator on cultural class.

Photo 4: Measuring the coffee



The members in the village help each other. They act as a team, and cooperate. They lend each other equipment; help each other when the year's production of coffee is to be weighted. An old couple which arrived to weight their annual production brought bread to all, prepared as gratitude, but also to celebrate that the year's harvest was done. Even though how poor they seem, they would like to share what they have. She was the only one that I met who did not speak Spanish, only *Mixteco*, the local language, related to the indigenous tribe Mixtecos.

(Source: author, 2010)

Her husband only had a few years of education, though spoke Spanish. He had been taken out of school since his parents need him to work at the *cafetal*. When all the coffee was measured, she sat down together with her husband Manuel 77, sharing the bread, and a bottle of Coke whit everyone, including me. Manuel and his wife still work their plant, being 77 years old, having worked their entire life. With no higher education and preffession retirement, their declining years are only assured by having children when they not can manage to work their plot anymore (Manuel 27.02.2010).

6.3.3. Natural capital

Natural capital "(...) is thus the stock of natural ecosystems that yields a flow of valuable ecosystem goods or services into the future". (...) "Natural capital may also provide services like recycling wastes or water catchment and erosion control. Since the flow of services from ecosystems requires that they function as whole systems, the structure and diversity of the system are important components of natural capital" (Costanza, 2008). Producing coffee, will as long as the production is maintained, provide the producers with natural capital as well as financial/ economic capital. Now, producing organic, the natural ecosystems preservation has

improved. Organic production does not out arm the soil, being more sustainable since the producers produce their own fertilizers. The producers are also more independent, without being dependent on some one else paying their fertilizer. It is also a better waste management when the producers make compost of their food wastes.

Table 7: Producer overview

Age and gender	Size of hectares	Production 2009	MICHIZA member	Additional income sources
Alfonso 52	¼ hectare	120 kg	1996	
Domingo 57	1 hectare	1000 kg/year	2004	
Raul 72	1 hectare	200 kg	1990	
Sebastian 30	1 hectare	250 kg	2009	Extra income as taxi driver
Sara 35	1 hectare	220 kg	1995	5000/month from Father in the USA
Alfredo 58	1,5 hectares	400 kg	1985	
Pedro 50	1,5 hectares	400 kg	1993	
Angelica 55	1,5 hectares	354 kg	1985	One son in the US who used to send money
Gael 27	1,5	900 kg	CEPCO	Works extra as taxi driver
Angela 49	2 hectares	70 kg	1995	Two children in Mexico City who sends money
Gerardo 63	2 hectares	400 kg	1989	3 children in the US, 3 children in Mexico City, all send money
Gregorio 51	2 hectares	150 kg	1985	
Santiago 74	2,5 hectares	350 kg	2001	Two sons in the US sending money
Man 71	2,5 hectares	1200 kg/year	1995	
Theo 27	3 hectares	600-900 kg/year		
Pablo 64	3 hectares	400 kg	1990	
Louisa 48	3 hectares	800 kg	1990	
Manuel 77	3 hectares	600 kg	1985	One son who emigrated for a short time
Pedro 34	4, 25 hectares	500 kg	2005	
Man 32	5 hectares	1500 kg		
Jorge 31	8,7 hectares	3000-6000 kg/year	1985	Lives on the production and his wife's shop
Ricardo 33	20 hectares	3000 kg/year	2003	

(Source: author, 2010)

The producers have also returned to natural shade grown production, from technified sun production, which also prevents soil erosion.

Other aspects are that the natural capital has been decreasing due to decreasing production. This though, is now increasing again, due to the renovation project, which will increase the producer production again, in a few years.

-Plot size and coffee production

Most MICHIZA members are small-scale producers, though some has a bit more land than the average producer, such as Jorge, who has 8,7 hectares. He produces 3-6000 kg/a year, much more than the average producer (Jorge, 26.02.2010). The average production from this research is 821 kg/year, though is the average pulled severely up by a few producing much more than the others, a majority has from 1-3 hectares, see Table 7.

Most families received the land plots during land reforms, and with several children in each family, the *cafetales* have been divided among the children, and the size for each to cultivate has decreased. Less land to cultivate equals with less production and less income. Being a father and a husband, he chose to stay, and instead continue as a coffee producer. He has inherited his land, and has only one hectare. This barely covers their costs, which is the reason he works as a *colectivo* driver as well. With his income, they can afford a TV, eat meat once a week, and fish once a month.

Table 8: Plot overview; size and production

Size of Hectares	Number of Producers	Production
>1	1	120 kg/year
1 – 2	11	200 – 1000 kg/year
2,5 – 3	6	400 – 800 kg/year
3,5 - 5	2	500 – 1500 kg/year
5,5 – 10	1	3000 – 6000 g/year
10 <	1	3000 kg/year

(Source: author, 2010)

Photo 5: Coffee Arabica



MICHIZA's producers are all small-scale producer owning from 1 to 20 hectares. The majority of *cafetales* are from 1 to 3 hectares (see Table 8.). The land is not solely used for coffee production, but are also used to production of *milpa*; production of black beans, corn, vegetables and wheat. In addition, most of the producers have chickens and goats providing them with eggs, milk and meat, some also have mules, pigs, turkeys, ducks, cows and sheep's. The producers cultivate the *milpa* and keep the domestic animals for self-subsistence production, the surplus is sold.

(Source: author, 2010)

The *milpa* is the main ingredients in their diet; the black beans are served at all meals, the corn and wheat used to produce bread and *torillas*. According to MICHIZA is one of the biggest challenges the cooperative face that the coffee production is declining. The decline

has three main reasons; the coffee bushes are getting old, the climate is changing and that people cultivate less.

It is possible to plant new bushes, which is now done, see “Renovation Project”. The climate is changing, and the producers just have to adapt to the new climate. Many have decreased their production being less dependent on their production since they receive *apoyos* and remittances when being members of MICHIZA. This is an increasing challenge (Araceli, 18.03.2010; Rigoberto, 20.02.2010).

About 50 percent of the interviewee’s complain about decreased production. They blame the decrease on the changing climate, colder and wet than earlier, as well as on the deteriorating quality of the coffee bushes, which are producing less. Ricardo aged 33, tells that he now produces 3000 kg/year; ten years ago he usually produced 10-11.000 kg. Others tells a bit ashamed that they at the moment produces very little, but used to have a higher production earlier when I ask about their production. When asked why the production has decreased the answer is; “*the bushes are too old*” (Ricardo 26.02.2010). The *Directiva* confirms that the coffee bushes are old, since most producers have inherited their bushes from their parents, and a coffee bush has an averagely life of fourthy years. The production though is not at top during all years, a coffee bush starts to produce from its fifth year, and reaches a peak by its sixth year, maintaining this production for about ten years, and then it will slowly decrease its production. So why have not the producer planted new ones? According to Araceli (19.02.2010) and Rigoberto (20.02.2010) is this due to sentimental reasons. The producers have inherited the bushes, the dependency is so strong, that replacing them seems inconceivable.

Another reason for decreased production is the *apoyos* and remittances; when they receive financial support, they cut back on their own production, and thereby also income. Angela is 46, and has two hectare, but produces 70 kg coffee a year; she only cultivate one hectare. Others who has 2 hectare produces as much as 400 kg a year. She receives money from two sons who has migrated to the U.S. (Angela 14.03.2010). Another example is Sara 35, she produces 220 kg coffee. She receives 5000 Mex. pesos a month from her father in the U.S. (Sara 14.03.2010), though still maximises her production. Or Jorge 31, when his plant is harvested; they live on his wife shop and *comedor*. As he said; “*he did not have too work more, they managed to survive on her income, so he could take some months off now after the harvest*” (Jorge 27.02.2010). They complain about the low price on the stock market, little production, the weather; though when obtaining extra income they cut back on their own production. The possibility to improve their living standard are not grasped (Araceli, 18.03.2010; Rigoberto, 20.02.2010).

6.3.4. Economical/financial capital

In this sub- chapter the producers economic situations will be presented; their income sources and future perspectives. Economic capabilities are indicators for measuring sustainable livelihood; a possibility to earn an income, to consume and to have assets. The producers earn an income through their coffee production, and survive on their self-subsistence farming. They cultivate products to consume in lack of purchasing power, from extra incomes through shops, *colectivo* driving, *comedores* and handicrafts. There are also other aspects of their economic everyday which are worth taking into consideration.

Most lives at an absolute minimum, surviving on the coffee production, though not producing more than 200-400 kg a year, payment is rather limited. Both consumption and number of

assets becomes limited. What is locally considered to be a “rich” family has an average higher standard of the house as mentioned above; windows with glasses, doors, better sanitarian facilities, but also extra assets such as a spare bed when children having moved out comes for visit, extra cutlery, some toys for the children, but most members do not have these asstes, nor do they have any savings.

“Financial capital generally refers to saved-up financial wealth especially that used to start or maintain a business. A financial concept of capital is adopted by most entities in preparing their financial reports. Under a financial concept of capital, such as invested money or invested purchasing power, capital is synonymous with the net assets or equity of the entity. Under a physical concept of capital, such as operating capability, capital is regarded as the productive capacity of the entity based on, for example, units of output per day. Financial capital maintenance can be measured in either nominal monetary units or units of constant purchasing power” (AASB, 2004)

According to Araceli (18.03.2010) the cooperatives’ certification costs to FLO (see chapter 2.2.2.) and Certimex, a German ecological certification since a majority of MICHIZA’s coffee are exported to Germany, are so high that in order for a producer to be profitable to the cooperative, they need to produce at least 350 kg pergamino (green coffee) a year. If a producer produces less, MICHIZA loses on their membership, though they are not excluded, it is after all a small-scale producer’s membership organisation/cooperative.

An average producer produces 476 kg pergamino a year (see table 8), which provides him with 13804 Mexican pesos (1623 USD) a year. However, looking at Table 8 we see that many produces less than 476 kg, it is just a minority who produces more. Even though MICHIZA’s members almost produce all of their food, they have other important needs; clothes, detergents, sugar and so forth. These goods require cash. Lack of cash was one of the reasons why many joined MICHIZA during the coffee crises. They had seen their own dependency to the intermediaries (also called coyotes as in wolves), who came to buy the year’s production and offered a price lower than the production costs. Without another option for receiving cash, the producers sold their yield to the coyotes. However, as MICHIZA was established they realised that the cooperative presented an option of a minimum price through Fairtrade.

As mentioned earlier a member of MICHIZA receives his payment three times a year. The payment it is divided into *anticipo*; prepayment to maintain the plants during the fall based upon an assumed production by the producer of e.g. 100 kg. The producer receives 10 MEX pesos (0, 78 USD) /kg in October/November. In April s/he will receive an *acopio*; payments when the coffee is delivered to MICHIZA (the coffee is picked up at each *comunidad* annually). The *acopio* is normally 15 MEX pesos/kg (1, 15 USD). The producers have then received a total of 25 MEX Pesos / kg and then in July an *ajuste* is received; an adjustment being when MICHIZA’s accounts are done and the final payment for the year’s production is done. The *acopio* in 2009 was 4 Mex. pesos. This gave a total price of 29 MEX pesos / kg. In 2010 MICHIZA hopes to be able to give 30-32 MEX pesos / kg (Araceli 18.03.2010).

As a producer of certified Fairtrade and organic coffee, one is to receive a payment above the Fairtrade minimum at 1, 25 USD/pound, the ten last years the minimum price has only increased 0,04 USD, from 1,21 USD to 1,25 USD in 2007. MICHIZA’s price is based on an absolute minimum of 1,25 USD/ pound, but bargains normally up to New York stock price, the so called “c”-price. In addition the producers are paid 0, 20 USD/pound for organic production and 0, 10 USD/pound as a social premium. The Social Premium (as of March

2010) goes directly to the cooperative for social development investment. Based on the additional payments, MICHIZA's producers receive a higher payment than the average New York "c"-price, who in May 2010 was 1,74 USD /pound (InternationalCoffeeOrganisation, 2010-2). However, with a production of 476 kg annually, the income is 13804 MEX pesos. The families I spoke to admitted that they at the moment, in average, earned less than as a *libre* (free – not organised producer). However, this perception is according to Araceli wrong (18.03.2010). Yet, everyone acknowledges that the poorer families are vulnerable to price fluctuations. When the coffee price dropped at its lowest, the producers still sold the coffee to the coyotes in spite of the low price, which was under the production cost. Norwegian coffee houses also acknowledge that this is a situation for some.

According to OECD socio-cultural capabilities concern dignity and a valued membership in a society. Have Fairtrade or MICHIZA contributed to this? Debt can be used as an indicator to measure dignity (Jaffee 2007). Prior to their membership in MICHIZA most producers had to lend money throughout the year. A majority of the producers do no longer have to take loans, as a result of their membership in MICHIZA. "*Now we do not have to take loans, because we get paid by the anticipo*" (Gregorio 14.03.2010). The loans created a constant negative spiral, forcing the producers to pay back loans whenever they received the payment for their coffee. They had a constant lack of cash. One payment a year is hard, though some prefer that since they then get all payment at once (Angelica 14.03.2010), others prefer that the payments are divided into three parts as MICHIZA's is. A person without loans, and a possibility to keep their income, makes the producer feel better. This is also the impression to Jaffee (2007).

Producer and MICHIZA members get paid three times a year, which Jaffee (2007:110) emphasize is an arrangement of significant importance, eradicating former patterns of lending where poor farmers would have to turn to loan sharks with less beneficial terms. The payment from MICHIZA is, as mentioned, based upon three payments; one prepayment, to guarantee payment capability for hired labour during the fall, one actual payment when the coffee is picked up, and the last one being an adjustment when all expenses at MICHIZA are paid. Then the surplus is calculated and divided among its members. This is in contradiction to those not organized, who only receives payments once a year, when selling their production. The two first payments from MICHIZA, the *anticipo* and *ajuste* normally come at the same time as the producers takes in *mozos* - hired labour. Due to the hard time during the coffee crisis, many producers have emigrated in order to survive, with the result that there is a lack of labour. Therefore the prices on *mozos* have risen dramatically. MICHIZA's members are even more dependent on *mozos* since the organic production is harder than regular coffee production.

Each producer has to make her own compost to distribute around the plants as fertilizer. The compost is normally created on a mix of vast from other products produced by the family, from animal stool and other waste from the household. Both distributing but also bringing the compost to the plants is hard work and most families hire *mozos* to the demanding work. They also often use *mozos* to clean up at their plants; cutting and removal of weed etc. All producers seem generally proud of their organic production, their product, despite the fact that it requires more work and often the use of hired labour.

- Extra income sources

When Alfredo was a professor he used to teach at the local school, but he is now retired. To ensure his family when he is now retired, he and his son have bought a car together which the

son operates as a *colectivo*. Every day the father and son left the house; heading toward the *cafetal*, driving the *colectivo* or attending meetings or courses related to the cooperative. Alfredo does not have more hectares or a larger production of coffee than the other members in the area. However, he has an education which he can use in the village, as a teacher. Hence; his economic situation is due to his ability to get an income both from the land and from his teaching. Having a stable income has provided him with an opportunity to buy the *colectivo*, to assure further extra income for his family now that he has retired. Moreover, state employees who have worked for a certain amount of years are given retirement pension. It is not much, but it is something you do not receive as a coffee producer. Alfredo is thus in a favourable economic situation compared to most MICHIZA members.

For Jorge (03.03.2010) his income, in addition to his wife's shop and *comedor* makes their economy ok. He does not have to take another job, and when the coffee has been delivered for the season, he has time off to spend with his family until the new production starts. An average MICHIZA producer earns less than Jorge, due to the fact that they have smaller plants. Average income is from 1000 to 5000 \$ MEX, see Table 8 for additional income. An average producer in MICHIZA has as mentioned from 1-3 hectares coffee plants, which produces up till 1000 kg/year. Jorge produces three times as much, during a bad year.

According to Rigoberto (20.02.2010) and Araceli (19.02.2010) most producers have an additional income; e.g. as Sebastian or Alfredo and his son. Sebastian is 30 years old, and a new member in MICHIZA. This is his first harvest since he became a member, and he has one hectare, and produces 250 kg/year. In addition to cultivate coffee, he drives a *colectivo*. Sebastian has, unlike most producers living in the rural areas, a higher education, as a technician. There are no job possibilities in the village, related to his education, so in order to get use of his education he would have had to move. However, my other informants did not confirm their statements, only a few producers seem to have an additional source of income. The most frequent extra income source among the women is to make handicrafts, to have a small shop, selling the surplus of their own vegetable production, or as Jorge's wife; having a *comedor*. Among the men, driving a *colectivo* is the most frequent activity for gaining an extra income. Teaching at the local school is also not rare; two of the interviewees were teachers. Jorge survives on the coffee production, but his wife shop and the *comedor*; are valuable grants to their budget. The women also do handicrafts, organized in groups, selling their products at the market in the nearby city (Sara, 14.03.2010). One group has even gotten in contact with a women's group through a church in Germany, who sends orders. The women take pictures of what they have produced, which they send to their German partners to see if it is something that they like. If so, the products are sent to Germany (Angelica, 14.03.2010). The women also sell the surplus from their production of *milpa* and fruits and vegetables, though most that they cultivate goes to their own consumption.

State employees receive retirement money in Mexico, if one has worked more than thirty years. Alfredo who worked as a teacher, receives retirement money each month, though according to him was the payments not sufficient for survival. I only met one other with a retirement plan; he had a jar at home (so he could access it if needed) with almost 1000 MEX pesos (450 NOK). The families I spoke to who received *remisas* (*remittances*) got 1500 – 5000 a month, were barely able to survive on that amount. The other producers have to continue working as long as they can, and from then of rely on that their children will take care of them. By sending at least one child to a higher education in the city, they hope to invest in the future and their own retirement. No insurances exist for bad weather, climate

change with more rain damaging the coffee production. There are no insurance for floods damaging houses and food crops. Children are thus people's only life insurance.

- Remittances

A minimum production for survival is 350 kg per year (Araceli 19.02.2010). Those producing less survive on remittances, money received from a son, a brother or a father, who has migrated to the United States. Remittances are a rather frequent phenomenon in developing countries. The migration in Mexico reached a peak after the collapse of ICA in 1989 and during the following coffee crises in the 1990's (see chapter 2.4.). Usually the father or the oldest son left the family for obtaining an additional income in the nearest city; Oaxaca state capital, Mexico City. Though many also leaves for the U.S.A. Leaving the country is a big cost in itself, most producers do not have passports, nor can afford a Visa to the U.S.A. Illegal migration has therefore become common. A passport costs 1700 pesos which is affordable, but a Visa to the United States costs 15000 pesos. Since lack of cash normally is the reason why they migrate, there is no money for Visa. Most migrants are men and sons from the families. The men continue to send money, the son's sends money until they marry, and gets their own family to feed. “; *My oldest son lives in Mexico City, he send money, though not much, but enough to cover our food; 1500 – 2000 MEX pesos a month*” (Angela 15.03.2010). Another woman, Sara 35, says; “ *my father sends us 5000 MEX pesos per month, this cover our monthly expenses*” (Sara, 14.03.2010). That covers her costs having three children. She produces 220 kg. coffee /year, and has one hectare. Other produces as much as 1000 kg on one hectare, so the production varies much. Most informants receive some money from relatives, either from their father, brother or son since they are not able to survive on their income from the coffee production.

- Loans

Two-three times a year extra labour is needed at the *cafetales*. Normally the producers receive help from their families to clear, fertilize and harvest the coffee. Families with many members are helping each other, but others with fewer members are dependent on *mozos*, hired labour.

Sebastian aged 30, tells that he uses five *mozos* a total of three weeks during the year, two weeks during the spring for cleaning/fertilizing and one week during the fall for picking the coffee. Using *mozos* is very expensive, and especially after the coffee crises when many have migrated, it is hard to find labour (Sebastian 15.03.2010), hence the price has increased. The prices have increased, and many have to take loans to pay the *mozos*. When the intermediaries finally came to buy the coffee, all payments went to pay down old loans (Jaffee, 2007). Among MICHIZA's members, most producers admit that they used to take loans earlier to pay the *mozos* out after they became members of MICHIZA, they are paid at least three times during the year, and do not have to take loans any more. “It is the *anticipo* who pays for the *mozos*” (Manuel, 15.03.2010). All producers asked about loans respond the same way, either they tok loans or did not; it is something they will not do /do again. Loans are conncted to shame, and made them feel dependent of others, not able to survive on their own and lowered their self esteem.

6.3.5. Protective capabilities

Protective capabilities are to withstand economic shocks, natural disasters and conflicts. These are some of the ones that are most threatening today. All producers claim that the production has decreased due to a colder, less stable, and wetter climate. So far no natural disasters have hit the producers in the mountains, but those by the coast are more vulnerable,

though has a hotter climate at least. The climate is expected to continue to change due the worlds CO2 emissions, and the expected peak is not yet reached. No one knows how it will develop.

As earlier happened, are the producers very vulnerable to economic shocks, or crisis. Their economy is so fragile, and the necessity for some income and cash forces them in crises to sell their product to under-price. Mexico is at the moment facing a time with high level of conflict, though not in the area of Oaxaca. The conflicts are mainly concerning the governments fights against crime, especially illegal drug cultivation and sale. This emerged or blossomed due to the earlier coffee crisis in especially exposed areas. Many farmers were forced to cultivate more income-generating products when the coffee price dropped, in order to survive, cultivating drugs being one, though illegal, option.

6.3.6. Political capabilities

Political capabilities include human rights, a voice, political freedom and participation (Krantz, 2001). All members experience them selves with political freedom and participation, most belonging to the radical left. Most of them are not involved in any parties, though could if they wanted to. They vote at elections. Another side is if their voice matters? Basic human rights are being assured, though it depends on the standards expected. Looking at article 25 in United Nations Declaration of Human Rights says; *“Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control”* (UnitedNations, 2010). Even though I admit these rights are being met, is “adequate” a vague word for describing a living condition. Adequate living, what does this imply? Who defines necessary social services? Compared to a Scandinavian context, I would claim that most social services were lacking, but last and most important; *“security in the event of unemployment, sickness, disability, widowhood, old age or lack of livelihood in circumstances beyond his control”*. These I believe to be rather, if not totally, absent in the villages. Even though they receive more than “right” from the government’s CURP program, when getting founded for hectares, and are receiving *remisas* it is still so little. 1250 MEX pesos a year, is 700 NOK. It is less than a month’s consumption according to my findings. Some of these rights are included as standards in IEH’s ethical code of conduct to, though stil not enforced.

6.4. Fairtrade - a livelihood strategy (Provider of sustainable livelihood outcomes)

Fair trade was the reason why MICHIZA was established, to be able to sell their coffee directly to the manufactores, cutting back from the intermediaries – to increase their income and their socio-economic development and create a sustainable environmental development.

“Fairtrade’s vision is a world in which all producers can enjoy secure and sustainable livelihoods fulfill their potential and decide on their future. We believe that trade can be a fundamental driver of poverty reduction and greater sustainable development, but only if it is managed for that purpose, with greater equity and transparency than is currently the norm. We believe that people can overcome disadvantage and marginalization if they are empowered to take more control over their work and their lives, if they are better organized,

resourced and supported, and can secure access to mainstream markets under fair trading conditions. We also believe that people, businesses and civil society institutions in the developed world are supportive of trading in this way. This is particularly one case when they understand the needs of producers and the opportunities that Fairtrade offers to change and improve their situation”(FairTradeMaxHavelaar, 2010b).

Sustainable livelihood and development is an approach which goes beyond the conventional definitions of poverty, it encourages a broader interpretation of factors indicating poverty and sustainability in living conditions. Fairtrade’s vision correlates with sustainable livelihood and development as an approach which goes beyond the conventional definitions of poverty; it encourages a broader interpretation of factors indicating poverty and sustainability in living conditions. So what secure sustainable livelihoods, fulfill their potential and gives a higher degree of independence and freedom? FLO want to encourage producers to be organized; which according to FLO provides improved resources and support. Does the producers’ membership in MICHIZA contribute to this?

Through MICHIZA’s membership in FLO the producers are guaranteed a minimum price, a social premium, and several other benefits. However, the producers are not familiar with Fairtrade, nor Comercio Justo (the Spanish name) or FLO. The first interview guide questioned whether being members of FLO had contributed to sustainable livelihood – to a better life. None of the producers understood the question, besides the ones working in the *Directiva* who knows they are organized to achieve Fairtrade’s benefits; the social premium, funds and a price guarantee. The producers do not see these benefits in relation to Fairtrade, but in relation to MICHIZA. The producers are members of MICHIZA, and it is MICHIZA who provides them with the benefits. Fairtrade and CSR for that sake is Western concepts, which the local producers are unfamiliar with. Though, are the benefits most relevant; the minimum price and the social premium, and the other benefits. But how does the minimum price and a social premium function, and which difference do they actually make, how does this contribute to sustainable development?

6.4.1. The Minimum Price

MICHIZA is certified by FLO Cert. (Fairtrade Labelling Organisation) guaranteeing that the coffee is socially and environmentally sustainable produced. To be certified by FLO Cert. it is compulsory to be organized in political independent democratic associations. By being certified by FLO Cert, you is guaranteed a minimum price for your products; 1, 25 USD/Pound pergamino. This provides a guarantee to the Fairtrade member which at all times receive a higher payment then 1, 25 USD/pound, because of the additional 0, 20 USD/pound for organic production, and 0, 10 USD/pound as a social premium. A decade ago, the coffee price was generally lower then today, much lower, and 1, 25 USD/pound was a much higher price then what the New York stock price was at the moment. The additional organic and social premium was a bonus. Today the New York Stock price is higher than Fairtrade’s minimum price, but the minimum price is just an absolute minimum. Today’s price level is normally bargained up to the New York Stock price level, plus that the producers receive the additional for organic production and the social premium.

All of MICHIZA’s producers produce organic coffee; this means that there is no artificial fertilizers used, only own produced fertilizer of their own waste. This is why Fairtrade certified coffee is more expensive; you pay the regular price, plus the additional expenses for organic grown and social premium, which guarantees you a high quality coffee, and a social-

economical development for the producer and an environmental sustainable development (Araceli 18.03.2010). Being a member after the coffee crisis was rather easy to motivate, they received a much higher price than from the ‘*coyote*’. However, with the current price situation, one may ask what is their current motivation for membership? Today the New York Stock price is higher than Fairtrade’s minimum price. According to Araceli (18.03.2010) the members are normally able to bargain up to the same price, as you would at the stock market. MICHIZA still receives the payment for organic production and the social premium; that is what provides the members with an averagely higher payment, which also at the moments should provide the producers with a higher price than not-organized producers. Though is this not correct at the moment, according to the producers – not organized are higher paid. So why are they still members then? Because they receive other benefits than the mere payment, which will be further elaborated under:

6.4.2. The Social Premium

As mentioned above, the producers also receive a social premium in addition to the minimum price – these two being the main components of Fairtrade. Earlier the social premium was divided among the producers, receiving 0, 10 USD/pound each for delivered coffee or tools. However recently FLO changed the guidelines, and now the social premium must be invested in social projects, for maximal profit. Earlier it has been spent on equipment such as patios for drying the coffee, for sinks, to wash the coffee, for tools to prepare the coffee for sale. Though it turned out that the concrete given to build sinks and patios were used for house building, and the system got stricter, which the social investments are examples of.

- The Renovation Project

Decreased production is an increasing problem - the coffee bushes produces less due to age. Out of nostalgic reasons many have postponed to replace their bushes, which now have resulted in decreased production, and less revenues. FLO have demanded a renovation projects; investing MICHIZA’s social premium in 30.000 new coffee sprouts.

Table 10: The renovation project, economical overview

Incomes	Expenses
Social premium 0, 10 MEX/kg. sold coffee x 500.000 kg (MICHIZA’s annual coffee exportation) = 350.000 MEX (26.923 USD)	2000 MEX/employee/month x 13 projects = 26.000 MEX, 26.000 MEX x 12 months = 312.000 MEX (24.000 USD)
= 26.923 USD	5000 USD in Certification fees to FLO Cert. = 29.000 USD

(Source: author, 2010)

The renovation project has run for two years, and is financed by the social premium, though also by the Catholic Relief Services (CRS). There are thirteen cultivation projects distributed in MICHIZA’s districts. Each project has one employee, and an irrigation system, though the irrigation if financed by CRS; the Social Premium does only cover the costs of the caretaker.

The project was a demand for continued certification by FLO Cert according to Araceli (19.02.2010). The 30.000 new bushes will hopefully increase the members’ production, though the project would not have been possible to fulfil without the support form Catholic

Relief Services financing the irrigation, which makes MICHIZA question FLO demanding a project without providing finances to it, leaving MICHIZA in a very difficult situation.

**Photo 6: Renovation project
The coast, Oaxaca**



(Source: author, 2010)

**Photo 7: Renovation project,
Mixteca, Oaxaca**



(Source: author, 2010)

According to Araceli is the Social Premium a great surplus for the cooperative, however does it also presents challenges, when demands are set that MICHIZA can not afford to fulfil without other investors. Both producer and employees at MICHIZA are proud of the renovation project, though also disappointed for not receiving the social premium them self anymore, and that they have to carry the new bushes them selves out to their *cafetales*.

- Tools

According to Ricardo (27.02.2010) is one of the main benefits of being a member in MICHIZA getting access to equipment which eases the production, an earlier project funded by the social premium. As the *pulpadora* which removes the meat from the coffee berries, their single most important equipment (Raul 27.02.2010, Domingo 27.02.2010). Other equipment mentioned is concrete sinks to wash the berries, and patios (concrete platforms to dry the coffee beans on). MICHIZA has also contributed to water cables, so that fresh water is accessible to all producers.

MICHIZA has now found itself forced to register each time a family receives a financial support through equipment such as; *pulpadora* to remove the fruit meat from the beans), *patio*; concrete platforms to dry the coffee beans. This though has turned out as a problem, since many are asking repeatedly for concrete. Now the *Directiva* is registering each time a *socio* (member) to receive any equipment, since it turned out that the concrete was not used on *patios*, but on rebuilding their houses. MICHIZA is not able to finance houses to all its members. All financial support is to be related to the coffee production.

- Courses

As a member of MICHIZA – who again is a members of Fairtrade- you are obliged to provide courses for your members, in order to improve production and achieve the socio-economical development. Most members are uneducated, and through the courses they get access to much new knowledge, which contribute to improve production and living conditions. Asking about the benefits of being a MICHIZA member, one of the first things mentioned is the courses. The courses are organized for all producers, both in their villages, but also at the office in

Oaxaca for larger gatherings and courses. The courses aim at enlighten the producers, teach them about organic production, how to increase production and improve the sustainability in their production. The courses also provide economical guidance and teach the producers how they better can handle their economy (Rigoberto 20.02.2010).

- Funds

In addition to the payment from MICHIZA, the producers receive other funds, depending on what MICHIZA receives. At present time they attend a financial support program but who only give financial support to those registered in CURP (Cedual Unica de Registro de Poblacion - the National Population Registry). Unfortunately, many of the producers are not registered in CURP since they do not have a birth certificate (Acta de Nacimiento). This is due to lack of procedures for registering births in rural areas, but this has changed to the better over the past few years.

When questioning why the members are organized with MICHIZA, the most frequent answer is “*to receive the funds*”. MICHIZA received in 2002 a funding from Sedesol (a state agency) to finance the production; more correctly to finance the payment of the *anticipo* and the *acopio*. They received 6 million MEX pesos, as a one time payment loan. If they monitor it well, it becomes their after three years, which it now has (Araceli 18.03.2010). The fund finances the extra payments the producers receive and also other supports. To apply for funds you must be organized, in a democratic organization, as MICHIZA. Knowing this, what is then the reason why not all small-scale producers are organized at MICHIZA, since it seems so beneficial? There are both other cooperatives, but not all organized within those; some are also *libres* (free/unorganized producers). The producers also receive support from Apoyo Fomento, a governmental support project to small-scale producers; there they receive 1250 MEX pesos/hectare they own. However there are no claims on cultivating the hectares. The fund contributes to a decrease in production due to the extra support, and even the producers report to own more hectares then they do. Also here you must be registered in CURP to receive the founding, which exclude those without Birth Certificates.

MICHIZA’s members have earlier also received funding from AMECAFE- Asociación Mexicana de la Cadena Productiva del Café (Mexican Coffee Federation), Sagarpa – Secretaria the Agricultura, Ganaderia, Desarrollo Rural, Pesca y Alimentacion (State Department of Agriculture, Livestock, Rural development, Fishery and Nutrition).

6.4.3. Organic production – environmental sustainability

All of MICHIZA’s members are obliged to produce organic coffee. It is cheaper to produce organic – without fertilizers, but more labour intensive. It demands a three year transition period, which is the reason why not all are able to join MICHIZA, the poorest producers can not afford the transition period, since production decreases substantially without the artificial fertilizers the soil is accustomed to.

An organic production has though several advantages, it contributes to a more sustainable production and the producers are not dependent on having access to fertilizers. In addition they do not impoverish the soil and constantly feed the soil with new nutrition from their own compostation. An organic production is less harmful to the local environment and contributes to keep the local biological varieties.

6.5. MICHIZA's future challenges

6.5.1. Recruitment and maintaining members

According to the informants, the reason why people not become members of MICHIZA, or any other cooperative, is because they would have to produce organic. An organic production is hard, very hard work; "*es trabajo duro, muy duro*" (Sebastian 17.03.2010). The transformation from regular production, to organic production takes 2-3 years. All is done manually since the *cafetales* are located in the mountains, there are no roads. Creating an organic production, the only fertilizer allowed is the one you produce your self. But animals etc. are at your house, and the plant far away, all fertilizer needs to be transported to the plant. That is hard work. But the sustainability aspect of it and having learnt from the coffee crises and Inmecafè's collapse, being independent makes you stronger. In addition, the producers have received courses from MICHIZA about how to increase production, improve quality, and maintain an organic production i.e. This is seen as very valuable knowledge for the producers, especially since many are uneducated, but through this experience a broader level of knowledge, and possibilities for improving their production, both quality and amounts.

But at present moment the "c"-price is at such a high level as MICHIZA's producers are being paid the same as unorganized producers, though with the price guarantee in their back. This is a typical time for producers leaving the cooperative, seeing that the *coyote* pays more or the same, with less demands. When the coyotes are paying more than MICHIZA, or the same, many of MICHIZA's members rather focus on today's payment, and not the long-term perspectives. This is a hard challenge for MICHIZA, as it was established when the price were the "c"-price was at bottom level. The last year's price development gives an indication that the price will continue to increase. The producers will not have any price guarantee. MICHIZA's number one advantage attracting members evaporates if they not manage to make the producers think more future oriented (Araceli 18.03.2010). To do this they must change generations of patterns; only being able to relate to today's challenges due to a challenging living conditions. The three payments from MICHIZA, the additional found from CURP; payment per hectare and the additional support through equipment is still too little according to some producers.

There are not many young members of MICHIZA; most are members who joined during the coffee crises (see chapter 2.4.) during the 1990'ies. Sebastian presents a concern in how the coffee production will continue since no young ones wanting to live in the rural areas. All aim at achieving a higher education, and there are no jobs related to a higher education in the villages (Sebastian 28.02.2010). The education empowers the members, making them more able to stand up for their rights, which contributes to improve their living situations. They see that the benefits from selling to MICHIZA are worth more than the possible little extra payment the coyote gives. They have learnt to think further ahead.

6.5.2. Coffee production

As a MICHIZA member, you do not have any commitments or obligations concerning how much you produce, or if all is sold to the cooperative. This makes it hard for the cooperative to present clear numbers of what amount of coffee they will be selling by next fall, and also harder to attract new customers. According to Araceli (19.02.2010) is it now hard enough to meet the orders they already have made.

According to the *Directiva* is one of the major problems when the producers receive funding that they decrease their production. This correlates with my own findings. Those receiving the highest remittances decrease their production, though still complain about that their bushes produce too little. In addition, the production the last years decreased dramatically due to weather changes. This is mentioned both by the *Directiva*, and also by the producers.

According to Rigoberto (20.02.2010) has it both become wetter and colder, which is two elements crucial to coffee production: too wet and cold are of no good since the berries will not grow when it is too cold, and the taste decreases when it is too wet.

The production has also decreased due to that the fact that old bushes produce less. Questions that comes up related to the renovations project is of similar character; why has not new bushes been cultivated earlier?

Another challenge exporting coffee is that there is an averagely higher demand on good quality. The producers spend hours on sorting coffee, and a large part is not good enough for sale (why not?). And being highly critical when accepting the coffee, out of 100 kg green coffee (pergamino) who MICHIZA buys from its producers, only 80 percent are meeting the importers standards, the last 20 percent is sold at the local market (Araceli 19.02.2010).

7. A Sustainable Cup

7.1. Introduction

The final part combines the findings from chapter 5: The International actors: corporations/coffee houses and chapter 6: Local producers – the members of MICHIZA and discusses and analyse them according to the theoretical framework. Hence brings forward other issues related to the main topics appeared during the fieldwork. Their possible contributions to sustainable development and livelihood will be discussed in light of the five coffee houses interpretation of CSR and perspectives of Fairtrade and producers lives the impact of being members of MICHIZA in order to answer the objectives of the thesis.

7.2. Why Fairtrade – corporate sanitation or common goals?

Why would corporate coffee roasters want or need to participate in “*fairer*” trade? This is a question asked by Jaffee (2007:212) and a question I also put forward in this thesis. CSR is, as said, no new invention, and is currently experiencing a renaissance. Companies integrate social and environmental concerns in their business operations at a voluntary basis (COPAC, 2007; Kalstad, 2006) and to an increasing degree, taking the representing corporations into consideration. One of the main challenges with CSR is the lack of an international legislation or juridical framework. This could have been controlling what set of milestones or achievements a corporation must inherit to be called a social responsible corporation. It could also have prevented CSR being used either only as a marketing tool or only something dealt with on their webpage. This is the main arguments used by those wanting to regulate to which degree the corporations actually perform more responsible, and not just exploit the concept as mere commercial advertisement.

CSR bridges business and development, creates new partnerships between public, private and civil society (Blowfield, 2005), aiming at taking all stakeholders into consideration – the corporations cooperation with Fairtrade is a good example – CSR creates new partnerships. Instead of buying all their coffee through intermediaries or the stock market, the coffee houses trade directly with the producers, at least when they are buying Fairtrade certified coffee. Though if this qualifies as a partnership is uncertain, though is it mutual beneficial. Several of the corporations have direct contacts at the cooperative Fedecocagua in Guatemala. Though is it apparent that their CSR engagement also is a response to consumers demand, that the society overall is demanding a higher degree of responsibility from the corporations (Glavin, 04.02.2010). This the corporations refute with a higher degree of transparency, environmental consideration which come to expressions through certifications and development projects. Hence is this visible through the growth of CSR, its comprehensive distribution during a limited number of years since it re-emerged. Even though CSR so far is making progress in the developed countries, it is implemented in their international trade at an increasing degree. CSR remains a Western phenomenon though it is increasing in developing countries such as in Mexico (NorwegianEmbassyMexico, 2010a).

CSR might be a high conjuncture phenomenon, bearing in mind during which decades it has developed, though Fairtrade is not a response to high conjunctures. The corporations have maintained, or continued to develop their CSR engagement and their Fairtrade selection

during the finance crisis which occurred from 2007 to 2010 (Larsen, 2009), which would not have been representative if CSR only had been a high conjuncture phenomenon. However, the power of the consumers may have grown so strong, that the corporations not can afford to decrease their CSR engagement and Fairtrade selection. Hence does this not correlate with Pals, which main impression was that during the crisis their Fairtrade coffee was the first product their consumers would cut back on. This was said as a reason for Pals not to advertise for their Fairtrade products, or their CSR profile, since their consumers are not in the end of their supply chain.

A business obligation still is to increase sales (NorwegianGovernment, 2008-2009) which may be the reason why three out of five corporations/coffee houses, have entered the certified coffee market, due to consumers demand. Mazumdar (2008) states it as *“CSR is the continued commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”* – this is Fairtrade’s aims as well. The corporations’ profit on selling certified coffee – appear showing a social responsibility. As Joh. Johansson Kaffe AS said; *“our mission as a coffee house is to reach out to all types of consumers, including those who want certified coffee”* (Glavin, 04.02.2010). In addition, Joh. Johansson Kaffe AS supports the idea of a higher price and acting in a responsible corporation. However, when the trend is to act responsible, it is natural that you follow the trend, especially if it is synonymous by reaching new target groups and increasing your sales. This Friele, Löfbergs Lila and Pals agree on (Engelsen 21.05.2010; Andersson, 21.05.2010; Raanaas, 03.05.2010), though does it decrease the ethical aspect of the trade. CSR is a response to today’s consumers demands, the corporations’ responsibility has been extended to not merely include making business, creating employments and maximize profit (CorporateWatch, 2008) but to take a mere responsibility of their production line (Andersson, 10.05.2010; Engelsen, 21.05.2010; Glavin, 04.02.2010). Though is this responsibility so far voluntarily, and not regulated. The corporations are free to elaborate the concept as they would like, though certain regulating factors have emerged. This is challenging, especially as a consumer. The corporations may mislead you.

One of the main discussions concerning CSR is whether there should be a juridical framework imposed by law, or if it should be voluntarily. Out of the five corporations investigated, two have fully grasped the possibilities of CSR, according to me, and the other three are responding to consumers demand when implementing CSR, hence beginning to see the benefits of CSR at their own performance. If CSR becomes enforced by law, it would provide a framework to follow: It would pressure the corporations to make steps which some of them already have taken (Löfbergs Lilas AS and Friele), and make the others increase their CSR commitment, though all five corporations are heading in the same direction. Kjeldsberg calls for a change in performance that no coffee needs to be certified, due to overall improved conditions for producers. Ideally eventually all coffee will seem certified, hence production has improved remarkably, and certification has eradicated due to improved standards at the production site, and improved regulations of price.

The change in performance is put forward by several of the corporations; I support the attitude for change, however is according to Friele and Löfbergs Lila Fairtrade and Utz Certified coffee a start for improved conditions and traceability which Kjeldsberg does not acknowledge yet. Kjeldsberg operates at the bottom of the CSR pyramid applying CSR as philanthropy; thereby will they not participate in the transformation, but put them selves on

the side. By not selling certified products, supporting the idea, though having strong opinions leaves them outside the discussion and the possibility to influence the situation.

Businesses influence is today underestimated, and businesses thereby possesses certain obligation towards the environment, society and humanity affected by the business (Norwegian Government, 2008-2009). In a more globalized world, there will also be several more shareholders, because transparency opens up to see all links in the value chain in a wider extent. On the other hand, is this enough to make large corporate coffee roasters to participate in fairer trade, or is it other aspects which makes them undertake such cost, which makes it a mutual win-win, or “fair-washing” as Jaffee calls it (Jaffee 2007:213)? His corporate participants deny this, but depending on interpretation, would it be “washing” if it is mutual? Friele plans to increase their sales of certified coffee, though do not plan to increase the price of their coffee. The price for certified coffee is mainly taken by Friele, as an investment. Friele pays 1 NOK extra per coffee bag with certified coffee, resulting in that they spend millions each year buying certified coffee; this is money which is not repaid by the consumers. Friele sees this as an investment in own future (Engelsen 21.05.2010). The corporations have realized that sustainable production also benefits them, something which also is confirmed by Pals and Löfbergs.

All corporations participating in this study are members of IEH; which controls Norwegian corporations’ actions abroad. IEH provides guidelines; “Ethical Codes of Conducts”. These guidelines provide “rules” the corporations intermediaries are to follow when trading coffee at the national coffee centrals, or at the New York Stock market. Other trading options are directly with the cooperatives, collaborations of producers who have organized to sell their coffee at a better price, skipping the intermediaries, trading directly with the corporations. If IEH’s guidelines are followed are though not sure, the corporations have no possibility to check whether the conditions are as such, or if the intermediaries uses them, though do the corporations emphasize that their intermediaries are obliged to follow them (Strand 28.01.2010; Glavin 04.02.2010). A critical eye would call this buying good consent, though is it apparent that there are other motives motivating the corporations’ engagement as well; future perspectives and continued profit.

According to Mullerat (2005:4) is the ongoing discussion about CSR mainly about whether it shall continue to be voluntary or be enforced through legislations. Judging whether CSR should be enforced by law at these five corporations would be wrong, yet, enforcement implies that there will be some standardized guidelines to relate to, on how to behave. Though is it apparently generally expected to be member of IEH. IEH provides these kinds of guidelines, though not as strong as a juridical framework would have done. An international legislation of CSR would clearly foster development in the sense that the corporations engaged in Fairtrade, also takes a mere responsibility concerning the environment, seeing the long term results of their actions, and the mutual benefit of it. Friele and Löfbergs are devoted to being social responsible corporations; the others corporations are seemingly at another level. Their Fairtrade sales are based mostly on demand. They take responsibility within other arenas which they see that they benefit from, and so do their receivers from the actions. At Pals they invest in the environment, by supporting WWF. At Kjeldsberg they support local cultural projects, but also several organisations operating within their ethical principles. Joh. Johansson does not claim to very social responsible, they are rather modest, but acts responsible by being members of IEH, believing that should be enough, and supporting their development project providing curses to the producers, about cultivating more sustainable, this is to maintain the quality of the coffee, which is in their own interest.

When being members of IEH, the ethical code of conduct guarantees workers one day off a week and at least two weeks of paid vacation, as some examples. These conditions were not at place among MICHIZA's producers, though MICHIZA does not sell to Norway, but to Germany, Austria and the United States. Hence this should be the situation at all production sites. This was not guaranteed, from the corporations, hence the ethical codes is IEH's and the corporations can not guarantee that it is followed. The coffee houses are members of IEH and use their guidelines and emphasize that this is done voluntarily, performing as responsible corporations. Though is this responsible enough if the corporations are not seeing it through and following it up through the entire chain?

When the corporations are trading Fairtrade certified coffee, which four out of five participating corporations are, FLO Cert have already performed an independent certification. The certification grants that the working conditions are following Fairtrade's standards, which is much higher than average intermediaries following IEH's guidelines are (IEH, 2010). The initiatives like being involved in ICP, organic production and funding of development projects for local producers, and through selling fair trade certified products; mostly FLO certified coffee (Andersson, 10.05.2010; Engelsen, 21.05.2010, Glavin, 04.02.2010; Haavind, 03.05.2010, Strand, 28.01.2010), gives an impression of that the corporations not find the coffee price in it self sustainable, nor fair, though without possibility to increase it without excluding them self from the market. All corporations do present a hope for certification to be un-necessary, production terms having improved remarkably, and also the price. It is for a mutual profit, the corporations earns on acting responsible towards their consumers; achieving legitimacy, transparency, CSR functions as positive marketing, and the consumers demands are being met. What the corporations have realised is that the producers are so pressured, that in order to be able to maintain production; the quality and amounts – especially concerning the “new” product certified coffee, which all corporations with exception from Kjeldsberg, believes will increase, the producers must be strengthened. If not, with the amounts demanded today, the soil will be depleted. Pals, Löfbergs Lila, Joh. Johansson Kaffe AS recognizes that by taking a mere responsibility they literally; *“pay back to the earth”*.

The future perspectives of the coffee business are that the demand for certified coffee will increase. Though do several of the corporations believe that it in the long run will eradicate due to that average producing standards for coffee will improve to a level where certification is no longer needed. The present focus on sustainability will increase (Andersson, 10.05.2010; Engelsen, 21.05.2010; Glavin, 04.02.2010, Strand 28.01.2010). However, Friele, Löfbergs Lila and Joh. Johansson Kaffe AS have realized that for the producers to maintain the quality or to increase the production, which they all expect that will happen with certified coffee, the producers need to learn how to improve their production. This the corporations do through their development projects; through ICP, through extra financial support to their suppliers. At least do Joh. Johansson Kaffe AS, Pals, Löfbergs Lila and Kjeldsberg do this through different projects. Joh. Johansson Kaffe AS has a project in Guatemala, and so does Pals. Löfbergs Lila and Kjeldsberg are members of ICP, which also supports different development projects educating producers for improved livelihood and production.

No one of the corporations deny that they are driven by profit. Joh. Johansson Kaffe AS develops products to reach out to the consumers, not in contradiction to the other corporations, but they where more frank. Joh. Johansson Kaffe AS perform the socio-rats twice a year, if they found a niche in the population which not buys their coffee, they strive at meeting their wish, and this is why Joh. Johansson Kaffe AS sells e.g. ‘Farmers Coffee’, which is their Fairtrade coffee. This is also how ‘Green World’ was developed, their

ecological Fairtrade coffee. They want to sell coffee, and their main focus is the taste, though they also need to think about the future, and open up to new markets. If the population want Fairtrade organic coffee, Joh. Johansson Kaffe AS will provide this product on the market, especially if they at the same time is a corporate benefit and correlates with their values. Pals has some of the same attitude, though present a more genuine interest in caring for the environment, though limited to provide financial support to organisations, and not in relations to e.g. production of ecological coffee. Pals sells Fairtrade coffee, though is their sale not interlinked with environmental preservation and social development. Pals sells Fairtrade coffee mainly based on demand, claiming that few of their customers enter their webpage, hence advertising gives little profit. Pals has little contact with the final user of their products selling to e.g. bakeries. Pals also claim that the Fairtrade Certified products would be the first changed in order to save money in bad times; hence is Fairtrade less sustainable. The Fairtrade sales is not interlinked with Pals environmental engagement, resulting in a conclusion that Pals have not realized the possibilities which lies within CSR and Fairtrade, in contradiction to some of the other corporations. Kjeldsberg has some of the same interpretation; acting rather sceptical or even critical to Fairtrade and the commercialisation surrounding it. Kjeldsberg accuse Fairtrade for being a gimmick, and questioning whether the money actually reaches the producers. I would say this is merely a lack of knowledge of Fairtrade, though also an interesting perspective. Fairtrade has become a big commercial power. One example of this is Starbucks involvement in Fairtrade, which challenges Fairtrade to take stand to where Fairtrade is heading; continue in the same direction as they are heading now, or to increase production, implementing larger corporations. The result could be either by size affect the world trade patterns and relations, or to continue being a small-scale concept, more genuine, though with less power to change the structures. This would be a step back to their initial idea.

Thus, the only two corporations in this investigation giving an impression of being genuine socially responsible and seeing a mutual benefit are Friele and Löfbergs Lila. The others do not promote their products, neither through the webpage nor during the interview. These corporations still have certified products and support different kinds of development projects, but have not, according to me, realized the mere profit and to which width sustainability is important in their production, to maintain production mass and quality. Kjeldsberg have some information about this on their webpage; about society and some logos, but they do not really claim to be very social responsible, at least not towards the environment. All corporations intend to be socially responsible corporations, but their Fairtrade products are first in line if cut backs are required. Joh. Johansson has no certified *Evergood* blend. *Evergood* is a blend, and thereby consist of a mix of several different coffee's this to guarantee the same taste at all times. Sometimes it consists of Fairtrade certified coffee, though this is not something they would want to guarantee, since this would jeopardize the distinct taste *Evergood* has. Kjeldsberg moves the responsibility to IEH, and that the guide is developed by IEH, and that Kjeldsberg have just adopted it. Their project with certified coffee was cancelled due to challenges with the trade, not changed to buy certified coffee from elsewhere. They are associate member of ICP, not full members. Pals donate money; though do not implement social responsible actions at their own production as the others. Löfbergs Lila and Friele only emphasize the voluntarily aspect of their involvement, not taking a higher price for their Fairtrade/Utz product than the average ones, that they do not have to, but still they do it, and it is a big cost for the corporations, though do they see a future profit in the investment which the others do not.

All five corporations act in a manner which they believe is socially responsible, though they have different interpretation of CSR. They all more or less have a combination of an neo-liberal to neo-Keynesian interpretation of CSR (Mullerat, 2005). My impression is that they all engage in CSR with the intension that it is a mutual win-win situation. They all see it as a voluntary action, and emphasize that this is not something they have to do, but have chosen to do. This correlates with the neo-liberal's interpretation of CSR, which emphasize that it is voluntary policies, or guidelines. According to Bromhill (2004:4) a corporation is only obliged to increase its profit, and as long as it stays within the rules of the law, that is its social responsibility. By increasing the profit of a corporation, the demand will have increased and thereby also the sales of its producers. This correlates with several of the investigated corporations sayings, their aim is to increase sales, and thereby will also produce income increase. The neo-Keynesian approach is somewhat wider, and recognizes a corporation's active role as a stakeholder, but still see CSR as entirely voluntary, though emphasize that as a corporation it has an obligation towards its stakeholder; to act economically, socially and environmentally in a sustainable manner. The CSR is less voluntary, more an obligation. Most of the coffee houses do see it this way; though do not admit it at once. It is covered in that for their own good, they need to invest in projects, aiming at improving coffee production. This is for their own benefit, but also for the benefit of the producers, which will be able to produce more, increase their income, and thereby also improve their living standard. The corporations in the thesis admit that they want to give something back, back to nature, local consumers, producers – they all sense this obligation towards their stakeholders, whether it comes into expression through investment in local cultural projects, or the Red Cross, environmental preservation, membership in IEH, ICP or development projects: the projects are either located in Norway, benefiting local consumers, or abroad in developing countries benefiting the producers. In contradictions to this Radical political economy see global corporations as enormous power concentrations, often acting on the expenses of society and environment in order to maximize profit. Is CSR a solution to this? Today more and more corporations have open their eyes to the possibilities that lies within acting socially and environmentally responsible – a sustainability to continue profiting. By taking all stakeholders into consideration, their best interest becomes yours, to a mutual win situation. Then the lines between the approaches are eradicated. As I see it, some of the corporations investigated in this thesis have not realized the width of possibilities CSR brings forward, nor see the possibilities in relation to Fairtrade.

7.3. Fairtrade and sustainability - how much and how long

The producer cooperative MICHIZA is located in Oaxaca. Oaxaca belongs to one of the least developed states in Mexico, with a population which in average earns less than 50 percent of the Mexican minimum wage. The coffee production is located in an area which according to Aranda (2002:18) is a marginalized area, lacking basic services and infrastructure – coinciding with the map of extreme poverty, though also high priority areas for the Mexican government. This is visible through several of the funds MICHIZA receives from the government, to mention some; Sagarpa CURP. However these funds are only received by those already registered in the national birth registration, which excludes already marginalized producers. 40 percent of Oaxaca's coffee producers houses' have dirt floors (GlobalExchange, 2007), though this is not representative with MICHIZA's members. Of all houses visited, only one had dirt floors.

34 percent of the children above five years do not attend school, and a majority only finishes elementary school (GlobalExchange, 2007). Among MICHIZA's producers all children attend school; both primary and secondary levels. Though do many producers point out that this has changed over recent years, earlier did not all finish secondary level. Also the number of persons with higher education has increased. According to Global Exchange is 21, 5 percent of the population in Oaxaca illiterate, out of 28 interviewees, only one was illiterate. 45 of 100 most mal-nourished municipalities, nationally, are located in Oaxaca, inhabited by indigenous people – typical pre-occupied as small scale-coffee producers. This though is represented among the informants, though not being sever-mal-nourished, but mal-nourished.

This shows that MICHIZA's producers overall have both higher education and living conditions than 40 percent of the population in the state, though still many are marginalized at certain areas such as food security. They are dependent on their self-subsistence agriculture, though still dependent on buying some goods. To obtain cash sales are the most normal prerequisite; either coffee or from the small shops, though the income from the shops is small. Other income sources are *colectivo* driving and production of artisanary. Hence, one may draw the conclusion that MICHIZA's producers have higher education and living conditions than 40 percent of the population in the state, though they are still marginalized at certain areas such as food security. They are dependent on their self-subsistence agriculture. Some goods must be bought, and for obtaining cash, coffee is their income source, among some other small scale income alternatives such as *colectivo* driving and artisan production.

All producers complain about decreased production, the ones with small plots as well as the ones with bigger plots. The decreased production is due to that the coffee bushes are getting old and the yield per bush decreases. However the producers are, especially those with 1-3 hectares which means a majority of MICHIZA's members, more vulnerable to production decreases – their production is initially so small. Most coffee farmers received the land plots during the land reforms, though have the plots decreased through generations, and inflation demands more income.

The change to ecological production is an expensive transition for the producers, changing from artificial fertilizers to organically created compost. The production decreases remarkable for a few years, to then increase again, and according to my interviewees eventually become improved with a better quality and a higher price. However, the most marginalized producers can not afford the transition. This leave the most vulnerable producers excluded (Araceli, 03.05.2010). Also Pals comments this; “those *being the poorest can not afford to organize*” (Haavind 03.05.2010).

There is no doubt that Fairtrade coffee also contributes to preserve the environment through ecologic production. Through the compulsory Fairtrade courses at MICHIZA the producers learn how to improve their production, to maintain better plants, providing alternative options for the next generations. What it apparently also does is that it contributes to the continued existence of the families, communities and villages and as such helps to maintain the social systems surrounding the rural population. The access to the certified markets provides a higher income, and most of all, a secure income with several payouts a year. This contributes to increase their self-esteem because they are more equipped and better prepared to handle their own life; higher educated, better organised and more informed. The families are more stable, with out the constant threat of migration, with enough food and a guaranteed income and with an income that actually covers the production costs.

A dilemma which comes up several times is the importance of remembering that not all other coffee is unfair hence Fairtrade is the “fair” one. Several of the corporations highlight the distinction *fair* versus *unfair* trade/coffee; even though they sell Fairtrade coffee, does not necessary mean that their other coffee is unfair. Pals has a development project where they have financially supported their cooperative, after being requested. The support was much needed, improving stoves. Again I question whether the Fairtrade price is “fair”, when extra support is needed. Further, it not the *fair* price is fair, what is the other? Pals have no answer to this, though emphasize that it is the larger corporations such as Nestle, Sara Lee, Kraft who have pressured the price down. In Norway, Fairtrade have made a severe contribution to keep the price up (Haavind 03.05.2010).

Several aspects of the life of MICHIZA’s members’ are improved due to their membership in MICHIZA. The idea of *fair* trade, keeping a larger degree of the surplus, with fewer middlemen was the initial idea of MICHIZA. It was established inspired by UCIRI one other cooperative which sold directly to their partners in the Netherlands; Max Havelaar, the first Fairtrade. If not Fairtrade had been developed, maybe even not MICHIZA would have been founded, though then maybe something else would have been. By trading through cooperatives as much as 60 percent of the trade chain is cut back and the producers receives more. In addition during the years a minimum price has been developed, which provides a price guarantee. Not organized have during bad times been forced to sell their coffee with loss, due to the need of cash. As members the producers receive found, tools, equipment, and their overall living situation have improved according to the producers. This correlates with Fairtrade’s goal. If a cooperative do not develop; the producers living conditions are not being improved, the cooperative is de-certificated. Being organize has contributed to improve several aspects of their living conditions; though most remarkable was the educational situation. Both Fairtrade and MICHIZA emphasize the importance of education, and today all children attend school; both primary and secondary level. Also the producers receive education, related to their profession; participating in courses, for improvement of production, both amounts and quality. They also learn organic production, being one of the main objectives of MICHIZA. Being ecological produced coffee brings another surplus to the coffee price. All members have the opinion that their life is easier, and has improved remarkably by being members of MICHIZA. Compared to non-members; they might have a higher price, which is the average argument for leaving MICHIZA, though according to Araceli (19.03.2010) is this not accurate. Nor do non-members receive founds, tools or courses for free – remembering it does not cost anything to be a member, only the transition to organic production.

It is hard to separate what are Fairtrade’s goals and what are MICHIZA’s, and even harder to see what is done to meet Fairtrade’s standards, and what are MICHIZA’s own standards, since they correlate much with Fairtrade’s. The five capabilities to measure sustainable livelihood; protective, political, socio-cultural, human and economic have all indicators which MICHIZA’s members inherit, to some degree. Some capabilities are strongly present, some are weaker. The political and socio-cultural capabilities are strongly present, and MICHIZA has contributed to encourage these. The human and economical are less present, though have improved over the last years, thanks to MICHIZA. The protective capabilities are the weakest ones, though express how vulnerable the other are as well, though is there no doubt that MICHIZA’s members are more resistant to such incidents thanks to Fairtrade.

Going through IDS Livelihood resources; human, social, natural and economical capital also presents a picture of MICHIZA's members as stronger than the average producer, and that the cooperative membership with Fairtrade has strengthened sustainability. Sustainable livelihood implies development, an improvement of living conditions, which most of MICHIZA's producers seems to have had to some degree, due to their membership. But what level is regarded as acceptable development? The payment of coffee follows the world economy, so why are not the minimum price adjusted to inflation? Sustainable development requires economic growth in places where such needs are not being met (Brundtland, 1987), then inflation also needs to be taken into consideration when setting the prices. Fairtrade claims that if they increase the minimum price, sale of certified coffee would decrease, and Fairtrade would lose market share. A market share which they have worked very hard to obtain, so hard that they might even have jeopardized some of their initial values and goals in order to achieve it. The corporations agree that the price is too low, though can not afford to increase it, as long as not all do it. Most believe that the certification eventually will eradicate, due to improved conditions. CSR is an investment in own future, taking the environment, sustainable coffee production, into consideration.

Sustainable livelihood and development goes hand in hand, and requires meeting the basic needs of all; both humans and nature. According to Brundtland, achievement of sustainable development and livelihood, jeopardizing the future generations' ability to meet their needs, includes that the bases for coffee production should be as good as today. The present production levels is rather low due to age, hence new bushes are now planted and will reinforce the production. This makes the present situation not sustainable in this matter, though has the overall sustainability increased. This is due to pressure from Fairtrade for establishment of the Renovation Project. Brundtland (1987) states that full growth potential and sustainable development is dependent on economic growth, in places where such needs are not being met. Fairtrade encourage economic growth through their demand for economic development. A producer which does not experience a development, a socio-economical development, will be de-certified. Fairtrade is supposed to encourage socio-economical development that is one of the distinctions to e.g. Utz. It is also the reason why several corporations have chosen to buy Fairtrade and not Utz, based on the impression that Utz rather focuses on merely economical development, compared to Fairtrade who also focuses on the social aspects. This way it will work towards ensuring justice between rich and poor, due to that the utopia will be eradicated income clefts.

The sustainability in the corporations increases, its life duration by the guarantee that it will be able to obtain high quality coffee. It appears that the corporations have realised that the producers are about to quit producing since they actually not are able to survive, to have a decent life on the profit of their production. The quality sinks, and the price increases. By investing in the producers, the quality increases and their production increases. Sustainability is not merely about the duration of the sale, long time perspectives at the corporations. It is also about the sustainability of the production, which several of the corporations emphasize. To be able to maintain the production of coffee, to not over exploit the soil, an ecological production guarantees a longer life duration. Through Fairtrade the producers are educated through courses in how to maintain the production, adjust it to the present climate; they learn about trade and what value their product actually has; how much a cup of coffee costs in the western world. They learn how to become a business man, and to preserve their own interest. As Perk (2006) questions; how can a local normal farmer have the skills to become the business man necessary to assure his own best interest when dealing with his business partners. According to Fairtrade, should a Fairtrade producer experience a development, if not

be de-certified. Though if not achieved, is it the producers fault? Fairtrade is not merely about receiving a minimum price, selling to MICHIZA, it is also about being educated to understand more about how the process functions, to obtain a higher level of economic understanding, to develop their own life situation.

Most of the corporations intend to continue selling certified coffee; though which certifications are not sure. Both Utz and Fairtrade are popular at the moment, though is also other certifications ereging such as Rain Forest Alliance's, due to the belive in certifications. The producers will maintain production, however today's circumstances is not sustainable if not their life quality improves, so for the corporations to be able to get coffee, they must contribute to improve the producers living conditions – provide higher payments. The corporations' see that it is a partnership, where both parts needs to gain a mutual development, an economical development they both are dependent on, as well as social development among the producers. Fairtrade with its minimum price provides a “real” payment, which covers the cost, and by implying that this is the minimum level for survival, it creates awareness among the corporations about the other price. According to several of the corporations they believe that the average price for coffee will increase, and then stagnate at the same level as Fairtrade, and then the need for certifications will be eliminated. This is hopefully thoughts, but the standard is changing into something better, due to Friele and Löffbergs Lila increasing amount of certified coffee, along with the others.

The corporations' engagement in Fairtrade varies, and thereby also the sustainability aspect of Fairtrade. Löffbergs and Friele have seen the corporate benefits of Fairtrade sale gives which gives an indicator that they will maintain the sale of Fairtrade certified coffee for a longer time. They see that selling Fairtrade certified coffee is a mutual benefit, which provides and take care of all stakeholders' interests. Though have the corporations not controlled all side effects them selves, but rely on IEH's and Fairtrade's own guidelines. Fairtrade production improves ecological preservation since the Fairtrade certified coffee in most cases is ecological cultivated, and a social benefit to the producers. The producers also earn averagely more, and so do the corporations: maybe not in cash, but through environmental preservation, improved quality and production. Both producers and corporations have a long time perspective when establishing a trade relation with Fairtrade coffee, as long as the quality of the coffee remains the same.

The other three corporations do not relate their Fairtrade sale to their corporations' social responsibility to act ethically, it comes in addition. They will all continue to follow IEH's guidelines for ethical trade relations, and believe that trade guidelines will develop to become even stricter. A higher degree of traceability and quality will be claimed in the future, and the corporations conclude that in the end it is up to the consumers, if they demand more ethical produced coffee, which all corporations in the end believe that the consumers will do.

Friele is planning to increase their sales of Utz certified products; Löffbergs are constantly increasing their numbers of products. Pals and Kjeldsberg are continuously evaluating their products, and so are Joh. Johansson. The coffee houses do have different approaches towards Fairtrade. However, the corporations also have something in common, a shared belief in certified products and their power to improve the living conditions to the producers. Kjeldsberg has no certified products in their present product line, but has had one earlier. In addition Kjeldsberg has several ongoing projects supporting local development, and encourage a higher traceability of their coffee. Kjeldsberg also suggests a smaller amount of certified coffee in all coffee, rather than 90 percent which now is the minimum when labelling

it as certified coffee. Pals sells their certified coffee, and intends to continue with it. Still, at Pals the certified coffee is not interlinked with their social engagement, but relies merely on their consumers demand, though does Pals believe the demand will persist and continue to increase. At Joh. Johansson the situation is the same; the certified products exist due to consumers demand. In addition the corporation believes that all coffee will be certified, or rather not certified, but that the present certification will claim so strict standards in the future that certification will eradicate. What will be left is then coffee, produced during such circumstances that the need for certification will disappear.

A CSR strategy is suppose to be a long term engagement to have an effect and to be interpreted as sustainable. And as Haukaas (2006) writes, a successful CSR strategy is often synonymous with sustainable development within the corporations projects, and thereby underline that the interpretations of sustainability is interlinked with the duration of the strategy. All five corporations have at least one development project which they support, either in Norway or in developing countries, the latter being in majority. Even though the corporations not label their projects as CSR strategies, they are part of the corporations' actions to either "give something back" or "for own profit through increased production". The duration of the projects seem to vary though if one is terminated, the trend is to with start another. Mazumdar (2008) emphasize that businesses need to be seen as partners in their communities by investing in projects like Joh. Johansson's project in Atitlan in Guatemala, or Pals investment to the cooperative Fedecocagua in Guatemala. Kjeldsberg and Löfbergs are partners in ICP, which also have several projects aiming at local development in the coffee producing countries, benefiting both coffee producers and buyers since the quality increases. By participating in the villages, the corporations' feels that they give something back more than just the payment. They do not directly admit that the coffee price is too little, though indirectly they do, by all having several projects, which main aim is to increase living standards among the producers. And even though phrases were expressed such as "*They received it in pure luxury, they did have stoves already, although they did not have chimneys so they constantly where cooking in smoke (...)*" ("*.. we just relates to Fairtrade's price, although I understand that they would like to eat more than twice a day, and meat more than once a week.*"), the corporations do not admit that the producers are paid too little. On the other hand, they the have these projects to improve living conditions. When it comes to the Fairtrade producers, the corporations agree; they prefer to pay more, based on the knowledge that their producers receives more, but still emphasizing that they do not have to. "*We pay several millions extra each year, when buying Fairtrade coffee*", and "*we do no increase the price parallell, we take the cost on us*" (Engelsen, 12.05.2010).

So does Löfbergs contribute to improve their producers' lives? They do believe they do it, if only by increasing their sales, which increases the demand for coffee. This hopefully gives at least some effect. But there are also several producers who are not able to participate in Fairtrade, and that is those who are the poorest, who can not afford the certification. "*Fairtrade does not solve all the problems and do not help those who live from hand to mouth. Buying Fairtrade is not synonymous to having done your part, it just a start. But it contributes to create a conciseness among the consumers which is the greatest power for change*" (LöfbergsLilaAB, 2010)

8. Concluding remarks – CSR, Fairtrade and sustainability

8.1. CSR – a mutual beneficial concept

Mutuality, a win-win situation equals partnership, and CSR do bridge the sectors of public, private and civil society, atleast the two last sectors. A CSR strategy which benefits all stakeholders creates the fundament for a partnership. Why is it then that the corporations feel they have to carry out development projects as an average aid or charity organisation? This has been one of the leading questions in my head when performing this investigation. Is it then not mutual ater all, is a partnership not possible? Why is it that the corporations in addition to the actual trade provide financial support to the producers when being asked? The paid price should be fair, set by Fairtrade with an additional premium to guarantee development, these are the fairly well paid producers, or?

The corporations in which has been investigasted withtake varying degrees of CSR. The CSR implementations are funded in the corporations' different interpretations of CSR, and to which degree they find CSR beneficial. The concept of CSR has anyway made the corporations take a larger degree of social and environmental concernes into their business, no matter to which degree it is fulfilled, or lacks of juridical framework. They take a responsibility besides mere profit making, taking all stakeholders into consideration to a larger degree; however there is still room for improvements. It does not mean that taking this responsibility not it profitable, and that the corporations not have realized this, this might be the reason why most of my corporate contact have gone trhough their sale and marketing managers. But if it is mutual profitable it increases the sustainability of CSR, meaning its survival chances, for corportions to continue withtakt such concernes as social and environmental in their actions.

The corporations responsible actions comes to expression through different indicators; membership in IEH, membership in ICP, by improving their environmental footprint and operating more sustainable. This is done e.g. by removing aluminium from their packaging, investing in new equipment creating modern factories, and by selling responsible products; certified ecological and fair traded products – even though the corporations are motivated by demand. The corporations also invest in projects, development projects; either for local development at production site or projects paying back directly to the consumers of their products. All corporations investigasted withtake such projects. Most corporations have realized that to be able to produce high quality coffee, the corporations need to pay a decent payment. This is done by buying certified products, and withtake development projects. The regular coffee price is, even though it is at its highest level for decades, not sufficient for providing a sustainable livelihood among the producers. No corporations says this straight out, though all do provide the impression that the price is not sufficient. No one of them dare to increase their price, in order to loose their market share, in the end it is corporations dependent on profiting, though do they al belive in the certifiecations, which provides a higher payment and guarantees the producers a decent price. The corporations believe certification will persist as long as the price not increases. Then, due to the labels 'Utz certified', 'Fairtrade Certified' or others such as 'Rain Forest Alliance', it will not be necessary anymore because the price has increased, and working conditions improved-ideally.

The corporations see a benefit in operating social responsible – withtake a social and environmental concerne beside mere obligation. They earn on it through increased legitimacy, transparency and positive marketing, with emphasis on the last one. Though what some of the corporations also have realized is that to be able to continue to sell coffee, they are dependent on the producers to maintain quality and production. Today's production conditions are not profitable; it depletes the soil, the environment and the producer. Without investing in the future, the corporations' future is at stake. Some of the corporations have realized this to a larger degree than others, and are therefore investing more in a sustainable production, e.g. implementing a strong CSR strategy.

When selling Fairtrade or Utz certified products, it is due to different reasons. It is due to demand from consumers, it is done as an investment in their own future, or it is not done, due to not belief in FLO, though implying that an other alternative would have been better. The demand will persist according to the corporations; they see the benefits beside mere profit making; to be able to maintain production and sale of coffee. Eventually when it evaporates, it will be due to pressure by consumers, FLO and other organisations and corporations, that production conditions have improved remarkable and certification on longer is necessary. Fairtrade functions as a CSR strategy for some of the corporations, at others it is just sold due to demand. Hence some corporations have realized the mutual benefit beside mere marketing profit, and hopefully the others will too.

It is however important for the corporations to state that fair trade products do not necessary make all other products un-fair, just fairer. The industry is constantly improving. However do they draw attention towards a phenomenon – producers who have been forced to sell their production under production cost in order to obtain cash. Or the poorest producers who not can afford the transition to ecological production, and therefore even more marginalized.

MICHIZA is a small-scale coffee producer cooperative, located in Oaxaca, Mexico, established inspired by another cooperative established near by. MICHIZA's founders wanted their benefits; higher income due to fewer trade links, and a possibility to export to Europe and the United States. The export was done through Max Havelaar – a Fair trade organisation in the Netherlands. The producers got organized, because it was something to organize around. If not Max Havelaar had emerged, they might have organized through something else, however, Max Havelaar was founded, and they organized around it. Today MICHIZA follows all incentives from FLO: transform their production into organic, arrange courses to educate the producers in more sustainable production, invest the premium in development projects or tools to everyone's benefit.

The state of Oaxaca has a marginalized indigenous population, a majority living of self-subsistence agriculture. The living standards in Oaxaca are below national average in several areas; education, health, accommodation among others. MICHIZA's producers prove themselves to have higher level than the average inhabitants in the state. They have higher education level, higher standard of their houses among others, good examples is windows, concrete floors, and all children finish secondary elementary school. This is linked to Fairtrade and their courses. Though since MICHIZA was established as a "Fairtrade" cooperative it is hard to measure whether it is Fairtrade or MICHIZA's goals which have contributed to the improved livelihood MICHIZA's members are experiencing. What is for certain is that their lives have improved being members, as much for the security of being part of something, organized, even though this was not directly stated, though the pride of being a member was not to be mistaken. Fairtrade have contributed to organic production, which all

producers cherish. It has been their salvation, their production is sustainable. Through the courses from MICHIZA, initiated by FLO, they learn how to constantly improve production, and their livelihood, providing sustainability. This is possible due to that some Coffee Houses have implemented CSR or, just sell Fairtrade certified coffee based on demand. As long as FLO maintain their principles and the demand persist, the demand for Fairtrade certified coffee will remain, and the standards continue to improve for the coffee producers, providing a more and more sustainable livelihood. CSR implementations contribute to fulfil this.

8.2. Recommendations

8.2.1. Corporations / Coffe Houses

Dare to increase the prices, the product and producers are worth it, you all call for an increased price. Being member of IEH should not be a pretext, but a call for action and change. Demand that IEH's guidelines are followed by intermediaries, and take your responsibility and check it, if not, change intermediaries. Make more direct trade. Increase trade with certified coffee. Certified coffee producers have improved sustainable livelihood. This though, however, does not mean that the price is sufficient; the producers live on the edge of survival, each day being a struggle; they can afford food and shelter, though have no security for retirement, saved money, or backups for climate changes, natural disasters or weakening health.

A development project is merely conscience relief, pay a decent price – what the product is worth for you, that makes your production sustainable. A CSR strategy is a large step in the right direction. The more the merrier.

8.2.2. MICHIZA's future challenges

Recruitment is challenging now when the coffee price have increased, though all producers stand stronger when organized. The certainty of a minimum price shall not be overseen. Think longterm, and invest in the future, not only with children, but with your production. Continue to educate the members, especially for being a tradeing partner to large international corporations. They are as dependent on you, as you are of them, nearly atleast.

8.2.3. FLO

Dare to increase the minimum price; the consumers demand is the main reason why the corporations sell Fairtrade Certified coffee. The minimumprice must be adjusted to inflation. The corporations profit on the sale, and on a sustainable production, and a few have realized it. Continue to think big, in order to achive change, but do not loose your initial values and principles on the way.

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Informants:

Corporations:

Andersson, Per – Sale and Marketing Manager Ljöfbergs Lila AS	Interviewed 10.05.2010
Engelsen, Atle - CSR Manager Kaffehuset Friele	Interviewed 21.05.2010 and 12.02.2010
Glavin, Tor – Managing Director Joh. Johannson	Interviewed 04.02.2010
Haavind, Lise - Product Manager Coffee AS Pals	Interviewed 03.05.2010
Raanaas, Jens - Director Pals	Interviewed 03.05.2010
Strand, Odd – Managin Director Kjeldsberg	Interviewed 28.01.2010 and 21.05.2010
Ørstavik, Gunhild – CSR Manager ForUM for Utvikling og Miljø	Interviewed 27.02.2010

Producers:

Araceli	MICHIZA – adm. Comercialization	Interviewed 19.02.2010 and 18.03.2010
Rigoberto	MICHIZA – adm. Comercialization	Interviewed 20.02.2010
Hermenegilde	MICHIZA – adm. Director	Interviewed 01.03.2010
Pedro	MICHIZA – adm.	Interviewed 19.02.2010
Alfredo	MICHIZA – producer	Interviewed 14.03.2010
Sebastian	MICHIZA – producer	Interviewed 15.03.2010
Alfonso	MICHIZA – producer	Interviewed 26.02.2010
Pedro	MICHIZA – producer	Interviewed 26.02.2010
Louisa	MICHIZA – producer	Interviewed 26.02.2010
Richardo	MICHIZA – producer	Interviewed 26.02.2010
Pablo	MICHIZA – producer	Interviewed 27.02.2010
Raul	MICHIZA – producer	Interviewed 27.02.2010
Domingo	MICHIZA – producer	Interviewed 27.02.2010
Angelica	MICHIZA – producer	Interviewed 14.03.2010
Sara	MICHIZA – producer	Interviewed 14.03.2010
Gregorio	MICHIZA – producer	Interviewed 14.03.2010
Manuel	MICHIZA – producer	Interviewed 15.03.2010
Gerardo	MICHIZA – producer	Interviewed 15.03.2010
Angela	MICHIZA – producer	Interviewed 15.03.2010
Pedro	MICHIZA – producer	Interviewed 03.03.2010
Jorge	MICHIZA – producer	Interviewed 26.02.2010 and 03.03.2010
Gael	CEPCO – producer	Interviewed 15.03.2010

Appendices

Appendix 1: Interview guide coffee houses/corporations:

1. Background:

- 1.1. Name and background
- 1.2. Position

2. Social Responsibility

- 2.1. How do the corporations think concerning social responsibility?
- 2.2. How is this noticeable in the daily life at the corporations?
- 2.3. You give an impression of wanting to make a change "to make things better" how does this affect the corporation (profit, consumers, reputation)
- 2.4. In your own text about social responsibility and environment you write, (above example from Ljöfbergs Lila AB's webpage)

"Some producing countries are poor and farmers are at the mercy of world market's strong price variations. This can be tough for those who have coffee cultivation for a living. In order to create confidence and improve conditions for them Fairtrade markets are established. It is a product brand that guarantees that producers receive fair payment for their work. It also means that the coffee is made in an ethical and socially responsible manner".

- 2.4.1. How is it possible to create a more stable price? Does Fairtrade provide a more secure and stable income?
- 2.4.2. If Fairtrade pays a fair price, what is the other price?
- 2.4.3. How do you value/consider a fair payment?
- 2.4.4. What is a fair price?
- 2.4.5. How do you define ethical and socially defensible price?

3. Fair trade:

- 3.1. When and how did the idea of Fairtrade emerge at your corporation?
- 3.2. How do you look at your own "collection" or lack of collection of Fairtrade products? And which timeline do you have on your Fairtrade decisions?
- 3.3. Why have you chosen to link social responsibility to Fairtrade?
- 3.4. How big share is your certified coffee?
- 3.5. What timeline do you have on your Fairtrade sales, what life expectancy does Fairtrade coffee have?
- 3.6. Would you consider Fairtrade as sustainable to both producers and consumers?
- 3.7. What is the price difference between certified and uncertified coffee?
- 3.8. From where do you buy your Fairtrade coffee?
- 3.9. Which effect has the Fairtrade certification had on the producers?

4. You sell Fairtrade, Utz and Debio (certified organic grown coffee), you are also involved in International Coffee Partners (ICP)(Ljöfbergs Lila, Kjeldsberg), or support other projects such as UNICEF, Save the Children, Carf, Kirkens Bymisjon a.o. why do you do this?

5. What is your opinion on Utz vs. Fairtrade? Are there too many brands and certifications?

6. Have you received any feedback from consumers concerning your work with social responsibility and environment?

Appendix 2: Online Interview guide corporations:

1. Background:

- 1.1. Corporation
- 1.2. Name and age
- 1.3. Position
- 1.4. Duration of position, previous position

2. Ethical codex:

- 2.1. Corporations idea of ethical/social responsibility, e.g. a CSR profile, Triple bottom line, ethical code of conduct
- 2.2. How is it noticeable in the corporations daily action, e.g. A certain amount of profit goes to a charity/welfare-organisation (e.g. UNICEF, Save the Children), Sorting recyclable rubbish
- 2.3. Is it noticeable on the organisations doings/actions
- 2.4. Do you notice any of this in your daily work?

3. Fair trade:

- 3.1. Do you have any fair trade products, if yes, which ones?
- 3.2. How long have you had them?
- 3.3. Why do you have fair trade products?
- 3.4. Why don't you have an average higher price on all fair trade products instead of one product with remarkable higher price?
- 3.5. Aren't all producers worth a decent price even though they not are certified as "Fair trade"? This way you sort of admit that the other prices are unfair, is that acceptable?
- 3.6. From where do you buy your fair trade products?
- 3.7. Which perspectives does the company have on fair trade, Long/short perspectives – timeline
- 3.8. Is fair trade trend related, if so how?
- 3.9. It has lately been a high conjuncture, which has now changed; do you think it affects its duration? Will Fair trade eradicate as a trend?
- 3.10. Do you consider Fair trade as sustainable? For consumers, may they rely on the income, which other effects does it have on the environment?
- 3.11. Can the producers and consumers rely on the market?

4. Reactions:

- 4.1. Have you noticed any reactions among shareholders? Among producers, consumers, employees?
- 4.2. What kind of changes, among whom?

Appendix 3: Interview guide cooperative employees:

- Can Fair trade promote sustainable livelihood?
- What can possibly be improved?
- How has the living conditions of the producers been affected since the sale of Fair trade coffee started?
- What have been the impacts for the farmers of the Fair Trade initiative? (her får du innblikk i en før/nå situasjon)

Appendix 4: Interview guide producers, nr. 1

- Main motivation for joining a Fair Trade production?
- How has fair trade affected their production and their lives?
- Has it contributed to more sustainable livelihood through socio- economical development? Why? How?
- Able to meet natural disasters, economic shock, conflicts – how would any of these affect you? Earlier and now
- Do you earn decent income, able to survive on for you and your family? Are you able to consume and have assets? Earlier and now
- Do you have a good health, access to good nutrition for your self and your family? Earlier and now
- Do your children go to school? What is *your* level of education – average level of analphabetic in the village? Distinction to before and after Fair trade
- How is your living situation? Earlier and now
- Do you find your self living with dignity? Earlier and now
- Do you value yourself as a member of a community/society? Earlier and now
- Have you consider that you have your human rights? Earlier and now
- Do you have political freedom and fair chances of possibilities of participation and a voice? Earlier and now

Appendix 5: Interview guide producers, nr. 2

1. Background

- a. Name
- b. Age
- c. Education
- d. Household dependents
- e. Community
- f. Hectares
- g. Production
- h. Sale to Michza
- i. Income (numbers)
- j. Time as a member

2. Living standards

- a. Food security – do you always have food? How often do you eat meat and fish? How many times a day do you eat? Compared to before you became a member.
- b. Income - as a member, do you earn more? How is your living standard, do you have beds for all, a TV, radio, shoes, money for school, higher education, doctor???. How important are the Apollos? Do Michiza pay you enough?
- c. Dept – do you have to loan money? When is this, before or after harvesting? Compared to earlier, more or less?
- d. Labour - Do you use Mozo's? how many in your households contribute?
- e. Organic production – positive aspects? No chemicals, cheaper, increased production, improved environment...
- f. Emigration – do you have any in your family who has emigrated to Oaxaca City, Mexico Coty or USA, or other places, e.g. to work as a Mozo? Do they send you money? How dependent are you on this money?

3. What are the main differences by being a member?

4. Why to become/not to become a member?

5. How has Michiza affected your life