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DEVELOPMENT STUDIES**

Fairtrade as an instrument for development

The case of rice in Benin

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List of Abbreviations

ATO:	Alternative Trade Organization
CCRB:	Conseil de Concertation des Riziculteurs du Benin
CSR:	Corporate Social Responsibility
FCFA:	West African CFA franc (1 euro = 655,957 FCFA)
FLO:	Fairtrade Labelling Organization International
FLO-CERT:	FLO's independent certification agency
FO:	Farmer organization
FSC:	Forest Stewardship Council
FT:	Fairtrade
FTO:	Fair Trade Organization
FUPRO:	Fédération des Unions de Producteurs du Bénin
HACCP:	Hazard Analysis and Critical Control Points
MAEP:	Ministère de l'Agriculture, de l'Élevage et de la Pêche
NGO:	Non-governmental organization
ROPPA:	Réseau des Organisations Paysannes et des Producteurs Agricoles d'Afrique de l'Ouest
UCR:	Union Communale de Riziculteurs
UNCTAD	United Nations Conference on Trade and Development)
UNIRIZ-C:	Union Régional de Riziculteurs pour les régions Zou et Collines
URR:	Union Régional de Riziculteurs
VECO:	Vredeseilanden Country Office, also commonly used in a non-Dutch speaking context as a synonym for the NGO's name 'Vredeseilanden'

1 • Introduction

There is ample literature available on the subject of Fairtrade (FT). A very topical debate is the one on the mainstreaming of FT, at the one hand increasing the market so more producers could be included, on the other hand making the FT concept more prone to dilution towards merely offering a better price, away from the principle of capacity building and contribution to sustainable development.

While the ideological debate on this evolution of FT from alternative to mainstream is very lively nowadays, the more interesting question that will be addressed in this report is what this shift means for the FT benefits to producers. After all, both proponents and critics of FT alike will probably agree that the legitimacy of the FT system in the first place should stem from the benefits it brings to the smallholder farmers in developing countries. Indeed one of the basic principles of FT is that it wants to contribute to sustainable development, but the underlying hypothesis then is that there must be more impact than merely the financial 'fair price' aspect, there must be capacity building aspects that have spill-over effects on a more local level so that even when FT relations would fade out, for whatever reason, a more long-term effect on economical and social opportunities for smallholder farmers remains (i.e. the impact of FT on local-level development¹).

¹ Impact here is understood as a concrete change for the farmer organization and/or the farmer involved in FT, either positive or negative. Development at the local level is understood as an improvement in the capacity of participating farmer organizations and in the lives of their member farmers, particularly farmers that produce the FT commodity, focusing on both financial and social benefits, especially aspects that relate to a strengthened position in the local context and value chain (in other words: aspects that will continue to benefit the producers and their

The literature is fairly silent however on the possibilities and challenges for FT towards that goal. This work wants to make a contribution to the topic by reviewing the literature on FT impact for development and exploring an interesting case study in order to provide some leads of reflection on which factors are important in making FT work for development, focusing on the contributions or role of and relationships between the different actors in a FT supply chain – after all, FT is defined as a 'trading partnership', which implies a trading relationship between the stakeholders that combines market-based and ethical elements and that aims to be sustainable in the long-term, suggesting the existence of some conditions that will prove important in order to be successful in this intent.

The case study on rice in Benin, supported by the NGO VECO in collaboration with the Belgian retailer Colruyt, is particularly interesting to take a look at in this context, as it is a project where FT is used not per se for the FT export itself to continue on very long-term, but in which FT became a tool or an opportunity to reach goals for local development. These goals are improving farmers' revenue by strengthening the position of farmer organizations (FO) in the local rice market. In other words, by building up their capacity to pursue national and regional market opportunities.

In what follows, after a brief explanation of the research methodology and a presentation of the case study project, a literature review will be presented giving an overview on FT and its development impact. On the basis of this review some important elements in the context of FT's potential as a development tool are selected and linked to models that will be useful in the subsequent exploration of

organizations in the local or regional market, regardless of the continuation of FT export or intercontinental trade relations).

Impacts on development therefore are those impacts that contribute to positive changes on this local level, whereby the normative assessment will be derived as much as possible from the perspective that the farmers and their organizations have on these changes.

the case study. The selected project will be thought through from the perspective of the different actors, after which the main reflections resulting from this research will be discussed.

1.1 Methodology

In order to learn more about the potential impact of FT on local-level development, a dual approach has been adopted, combining literature research with its application on a case study on rice in Benin.

1.1.1 Research methods

First of all, the impact of FT on development is reviewed based on the **available literature and online sources about FT** in order to identify some key elements and frameworks that are useful to gain a better insight into the topic and to apply these to the exploratory case study.

In order to further explore the possibilities of the use of FT as a developmental tool - as the bulk of the literature does not examine the local-level development effect in detail, and if it does mainly focused on FT coffee cooperatives in Latin America - **a case study** has been selected based on the author's experience in the field² and some interesting characteristics of the case.

² The author worked in the selected project during a period of 1 year in 2010-11, based in Savalou, Benin, and worked in close contact with the FOs involved in the FT pilot project on rice, both at village level (FOs of Tchetti and Kpataba) and at the level of the community (Savalou). It was during this period that the FOs applied for and eventually were granted FT certification. This working opportunity was assigned to the author in the context of the Belgian development cooperation's (BTC) Junior Programme in collaboration with (among others) the NGO VECO. More information on the BTC Junior Programme is available at <http://www.btcctb.org/en/what-junior-programme>.

First of all, the case study is situated in the West-African country of Benin, a 'Least Developed Country' according to the UN listing (UNCTAD, 2012). It is set up around the commodity of rice, both a food crop and cash crop in the Beninese context. Most interestingly, the Flemish NGO VECO intended the project, that was set up in collaboration with the Belgian retailer Colruyt, as an exercise to improve producers' income by improving their marketing skills and position in the local market through a learning-by-doing experience. The use of FT was in this case more symbolic and exactly meant to lead to local-level development effects that go beyond the limited FT export to Belgium. This makes the case particularly interesting to explore in the context of this work in an attempt to identify important factors making FT work (or not) as a development tool.

Focus in this work is put on the benefits of the FT pilot project for the Beninese rice farmers involved, and on the relationship between the different actors in the project. To do this, use was made of policy and project documents, project reports, website clippings and video material available about the project from both VECO and Colruyt and several semi-structured interviews were conducted either in person, on the phone or by e-mail, as listed below.

- Atomabe, F. Chairman of UCR Savalou. Interview by phone, Benin (14/08/2012)
- Azagnandji, H. VECO Benin, coordinator of the rice program. Interview by phone, Benin. (14/03/2012 and 14/08/2012)
- Boost Nutrition. Erik Van Deun, international sales manager. Interview by e-mail. (08/08/2012)
- Colruyt. Mieke Vercaeren, advisor for public affairs and sustainability, Halle. (12/03/2012)

- Colruyt. Mieke Vercaeren, advisor for public affairs and sustainability, and Olivier Gilissen, rice purchaser, Halle. (09/07/2012)
- Etekpó, F. Chairman of UNIRIZ-C. Interview by phone, Benin. (14/03/2012)
- VECO. Mieke Lateir and Jo Vandorpe, sustainable chain development officers, Leuven. (19/03/2012)

Previous research work done throughout the Cultures and Development Studies masters program has been very useful as a starting point to further explore the case. The interdisciplinary research seminar was particularly helpful as it dealt with new partnerships in agriculture in the context of development, for which the same case study was explored with a focus on the relationship between a corporation and an NGO. In-depth group discussion certainly contributed to a broader understanding of the project's context. Some of the interviews used for this master thesis were originally conducted in the context of that group work. Furthermore, papers written on topics related to CSR, business-NGO relationships and stakeholder engagement put this work in broader perspective regarding the relationships between the actors in the project. Nevertheless, the focus on local-level development in this thesis had not yet been addressed in previous work while it seemed for the author a key subject since the intended benefits should primarily be situated at the level of the producers and their organizations, as set out in the introduction above.

1.1.2 Limitations

Several limitations are evident in this approach.

Foremost, the exploration of the case study depends on interviews conducted sometimes in person, but at the level of the farmers/FOs which are meant to be the focus of this research, the number

of interviews is limited and moreover the approach of interviewing by phone has limitations in terms of the time spent talking to someone, the French language not being the mother tongue of either interviewer or interviewee, the quality of the phone connection, the absence of body language and other context that facilitates the language or cultural barriers when talking to someone in person. These interview thus certainly have their limitations related to interviewer-interviewee interaction, although it must be said that due to the working experience of the author in this specific project in Benin, the interviewees were familiar with the interviewer and vice-versa. Nevertheless, the qualitative approach at long-distance results in anecdotal evidence and this work should be regarded as a leads of reflection rather than a factual statement.

Secondly, it is very difficult due to the nature of the case - being coordinated by an NGO as part of a broader development program on the rice chain in Benin - to separate the effects of the use of FT and of support by the NGO as a development organization. From the interviews, it is clear that the participants recognize that taking the FT standards as a starting point did make a difference, however it is hard to differentiate the effects of FT and broader development support in the overall results of the project as these are also mutually influential. This makes it again difficult to make any kind of generalized normative conclusion about the use of FT as a development tool, certainly because only one specific case study has been regarded. As Dankers (2003) puts it,

“benefits from developmental aid and from FT are highly mutually supportive and interlinked. [...] In the analysis, one would ideally like to separate the contribution from the fair-trade marketing system from the contribution of additional development aid activities. If benefits result mainly from the marketing system, an increase in market share for fair-trade products would be necessary to be able to repeat such

successes with other farmer groups. In contrast, if benefits result mainly from the additional aid activities, one could also replicate the approach taken by these activities without needing a fair-trade market. However, it seems both have been mutually supportive and highly interlinked.”

Also, as in most impact studies, to really understand the change in the farmers' situation before FT and now, a more thorough study should be conducted, comparing the current situation with a baseline. Although such baseline does exist in VECO's documentation, there is no follow-up study available. However from next year onwards, the author will continue with a more quantitative study in the context of a PhD at the faculty of bio-science engineering of KULeuven, in collaboration with prof. dr. ir. Miet Maertens, using techniques of agricultural and development economical research to analyze the impact of the set-up of FT export on farmers' income and other development indicators such as education, and on the spill-over effects on the local rice market and rice chain structuring. Results will be compared between the villages participating in FT and other communities benefiting from VECO's general rice program but not participating in FT rice production, and with the available baseline information.

1.2 About the VECO rice program

In order for the reader to be able to connect the literature review on FT development impact more easily to the specific case study, the context of the latter is now presented, first offering a general overview on Benin and its rice sector and then describing the general rice program of VECO and putting this in relation to the specific FT pilot project that will be the focus in this work.

1.2.1 Benin country and rice sector context

The west-African country of Benin is listed among the United Nation's 48 Least Developed Countries (UNCTAD, 2012). 47% of the population is said to be living under the international poverty line of US\$1,25 per day (UNICEF, n.d.). According to the World Bank Group (2010), life expectancy in Benin in 2009 was 61 years and literacy stood at 41%. Approximately half of the population of Benin is involved in the agricultural sector which accounts for 32% of the GDP (World Bank, n.d.). The main crops farmed in Benin are yams, cassava, beans, cotton, palm oil, peanuts, rice and farmers also raise small livestock. The industrial sector is underdeveloped. The majority of the population is dependent on the local markets for food, textiles and manufactured goods (U.S. Department of State, n.d.). In this context, FT could provide an alternative market and/or development opportunity.

Since the case study focuses on the rice chain in Benin, it is important to sketch the context of the sector. Rice is increasingly becoming a staple food in West-African countries, asserting its place among traditional staples such as maize, sorghum, and millet, or tubers and roots like potatoes, yams, and cassava . Moreover, because rice crops produce more food energy and protein supply per hectare than wheat and maize, rice can support more people per unit of land than these other staples (Chang, 2000). In Benin, rice is reported to provide higher financial return per hectare than maize or cotton (Etekpo, 14/03/2012), which means, interestingly, that rice functions both as food crop and cash crop (Batcho, n.d.). Since 1973, rice consumption has been steadily growing at an annual rate of 6% and now provides over a third of total cereal calorie intake in the region (UNEP, n.d.). In Benin, although a few years ago still considered a luxury commodity reserved for important celebrations, rice is progressively becoming a staple commodity for a large part of the population, in particular in urban markets (VECO, 2011). The growth in demand offset the growth in local production, making West Africa a

significant player in world rice markets, with a share of 8.4% of world rice imports (UNEP, n.d.). Increasing domestic rice production and reducing reliance on imports has therefore been a top priority for most West African governments, including that of Benin.

According to the latest data available, Benin produced 350 000 tons of rice in 2007 and imported nearly 240 000 tons of rice in 2004 (FAO, 2009). Rice consumption in Benin is increasing for several reasons, including abovementioned population growth and urbanization. The increase in demand was also reflected in increasing imports of Asian rice. This shows a market potential for rice which local rice production could exploit, linking also to questions of food security. Benin's aim is to become self-sufficient in good quality rice by 2014 and become a rice exporter by 2018, for which a government strategy was launched in 2009 in collaboration with FAO (Ministère de l'Agriculture, de l'Élevage et de la Pêche [MAEP], 2011). This government support for rice chain development helped VECO's cause as the approach was already being used by the NGO in their rice program in the Collines region of Benin (see further).

At the national level, rice farmers in Benin are represented by the CCRB (Conseil de Concertation des Riziculteurs du Bénin). This organization is part of the umbrella organization FUPRO (Fédération des Unions de Producteurs du Bénin), a federation of producer unions. It is also part of the regional West-African network ROPPA (Réseau des Organisations Paysannes et des Producteurs Agricoles d'Afrique de l'Ouest). Zooming in to within-national level, each of the eleven departments or regions of Benin has its regional rice farmer organization (URR). Each department or region consists of several communities, each of which have their own communal rice farmer organization (UCR). Finally, within these UCRs, the different villages have their own FO of which individual rice farmers or small farmer groups (*groupements*) are members.

1.2.2 The VECO rice program in Benin

VECO is a small Flemish NGO whose mission is to help small-scale farmers earn an adequate income from sustainable agriculture through participation in (local) markets. In order to achieve this, VECO works with FOs from village to national level, as they believe that by working together in organized local groups, the farmers can add more value to their products and become more involved in the management of their agricultural resources. The focus however is towards helping small-scale producers exploiting between 0,5 and 1,5 hectare per household (VECO, 2011). Since in Benin 90% of the population depends on small-scale farming and average income is less than one dollar per day, VECO saw potential for contributing in this country. The choice for rice was based on the threefold opportunity for development of rice production as consumption was on the rise, cotton prices fell and suitable land was available.

VECO's objective today is to strengthen local rice producers and their organizations, improve local rice quality and improve the FOs' position in the market. Indeed, local rice quality is not well perceived on the national market and it is held that rice quality improvements will help local rice to better compete with imported Asian rice (VECO, 2011). In addition, increased sales of local rice would lead to higher incomes for the farmers, especially in the urban markets where a clean, qualitative, pre-packaged rice sells for a good price. VECO therefore facilitates contacts between the farmer organizations and other actors in order for FOs to discuss prices with transport companies, merchants and consumers and to be able to voice their concerns towards the government (VECO, 2010). The Beninese government recognizes the development potential of the creation and professionalization of FOs up to regional and national level (MAEP, 2011).

In the Benin case study, the regional farmer organization UNIRIZ-C in the Collines region (see illustration 1) is of specific interest. This organization comprises six UCRs, all of which are part of

VECO's general rice program in Benin since VECO and UNIRIZ-C started working together in 2008 (UNIRIZ-C, 14/03/2012). By 2009, 8 500 farmers were involved in the general rice program (VECO, 2011). The pilot project with Colruyt however has its roots in earlier years when VECO's work was concentrated in the community of Savalou and took its operational form in 2006. VECO worked on rice quality improvement since 2002 with the initial goal of improving production methods and access to agricultural inputs. The first steps of the project were aimed at the improvement of production techniques such as synchronizing the timing for sowing and harvesting, resulting in a finished rice with less impurities and better moisture content. Visual quality checks were conducted.



Illustration 1: Map of Benin

1.2.3 The FT pilot project with Colruyt

In parallel with VECO's evolution and strategic decisions as an NGO, the project also shifted from having a focus on the production level to a broader approach on the entire rice chain and started to include more investments in processing capacity, quality enhancement, and marketing. While the Belgian retailer Colruyt previously helped funding part of the rice program without other involvement,

from 2006 onwards VECO and Colruyt engaged in an operational pilot project in order to further improve on the aspects of rice quality and market thinking. The idea was born to create a learning-by-doing experience for the FOs, in which Colruyt committed to buy a symbolic quantity of the Beninese rice to sell it in its Belgian supermarkets. The FT concept was introduced in the project to ensure more long-term guarantees relating to the sustainability of the production process and product quality towards consumers and in the trade relationship and to serve as a framework for capacity building in the FO (VECO, 2011; VECO, 19/03/2012). Evidently, it is this FT pilot project that will serve as the case study in this work. See Illustration 2 for an overview of project actors.

Within the UCR of Savalou, two farmer organizations, from the villages Tchetti and Kpataba, now produce FT rice for export to the Belgian supermarket chain Colruyt. Both FOs received Fairtrade certification in 2010, awarded to them by FLO-CERT, the independent certification body for FT products and processes. It is noteworthy that only 1% of the total (FT and non-FT) rice production by the FOs is sold on the Belgian market by Colruyt (VECO, 2011).

In order to obtain FT certification, the two participating FOs had to comply with certain quality standards required under the FT scheme. Several workshops were given on the concept of FT and the FT standards. This resulted in the creation of clear production standards in consultation with the local producers (VECO, 2011). In this way, use of chemical fertilizers could be reduced by half. To ensure that all farmers complied with these standards, internal control and traceability systems were set up in the two participating FOs through several training sessions and follow-up workshops. The project also supported the development of infrastructure for storage in order to optimize the rice's moisture content which is a very important element for rice quality and food safety concerns.

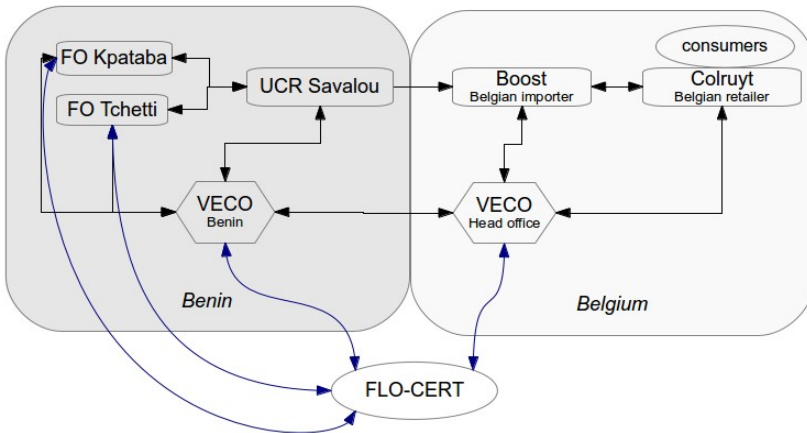


Illustration 2: Overview of the actors in the Benin FT rice pilot project

Through this FT learning process, the farmers were also trained to be market actors taking into account consumer preferences. An exchange visit to Colruyt was organized that inspired the FOs to learn more about local and regional consumer preferences by organizing exchange visits themselves (VECO, 19/03/2011).

Governance in the FOs was improved by the organization of regular General Assemblies, which is also a FT requirement. The reporting system to grass-roots members was also improved through training sessions on communication for the FO's management. This contributed to transparency and mutual trust relationships within the FOs. It also improved local cooperation between the FOs and the UCR and made it more effective, increasing the organizations' negotiation position. A bundled sales system was introduced. Looking at the yearly cycle of rice prices, the FOs started to store the rice from the harvest period in December until April, in order to sell the non-FT rice to the local market when prices are higher. Furthermore, contractual commitments between the farmers, the FOs and the UCR were reached in order to organize each group's quota of rice that

should be supplied to obtain the quantity of FT rice ordered by Colruyt.

VECO considers the project to be highly successful: according to them many small farmers joined the program; the efficiency of rice production increased by over 50% and rice production covers 34% of internal demand; higher income allows local-farmers to afford investments; and new export opportunities could open in the near future. Thanks to the rice sales, the rice producers can afford schooling for their children, housing and building materials, health-care, and so on according to VECO (2011), although the evidence is anecdotal since to the author's best knowledge no thorough impact study has recently been conducted.

In order to better understand the project in the context of lessons learned from the literature, further analysis of the project and its results from the different actors' viewpoints will be made in chapter 3, after first reviewing the literature on development impact of FT.

2• Literature review

2.1 What is Fairtrade

2.1.1 Definition

FINE, the informal association of the four main FT networks³, agreed on the following definition of FT to base their work on:

"Fair trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South. Fair trade organizations, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade" (FINE, 2001, p.1)

This means that, where we focus on development impact in this work, FT aims to contribute to sustainable development and this through the channels of better trading conditions and the securing of the rights of the producers.

As detailed by FINE (2001) under their basic principles, those better trading conditions focus on the aspects of

³ IFAT (International Fair Trade Association), FLO (Fairtrade Labelling Organization International), NEWS! (Network of European World-shops) and EFTA (European Fair Trade Association).

- A fair price (in the local or regional context): a price that not only covers production costs but also makes it possible to produce in a socially just and environmentally sound way;
- Access to pre-financing such as advance payments to avoid producer organizations falling into debt;
- Commercial continuity and longer term commitment.

Interestingly in the scope of this work, FINE addresses sustainable development as one of their basic principles defining it as the promotion of “long term improvements in the economic and social opportunities of small producers and waged workers and in the environmental practises of their organizations” (FINE, 2001, p.3). More concrete the following aspects are mentioned:

- Strengthening small producers' organizations;
- Strengthening the ownership and the participation in decision-making of producers and workers;
- Providing support for training, capacity building and human resource development, especially of women;
- Actively encouraging better environmental practises and the application of responsible methods of production.

2.1.2 History

The FT movement has evolved a good deal since its emergence from relief efforts in the post-WWII era. Although the movement is rooted in an even longer tradition of alternative approaches with common themes in self-help, development and social justice in production and consumption, FT as we know it now has roots in faith-based charity initiatives selling handicrafts to generate income for marginalized groups. Based on this religious inspired charity trade model, Oxfam Trading was established in 1964 in the UK as the first Fair trade organization (FTO) (Low & Davenport, 2005).

Alongside this development FT also evolved around the political opposition to capitalism and colonization, educating consumers and governments in the North about the production process in the South and the needed reforms in the international trading system in order to address the inequalities it creates. As there was a general belief that the international trade system was central as a cause of poverty in the South, Fairtrade became part of the strategy for promoting development on a 'Trade not Aid' basis, first supported by UNCTAD (United Nations Conference on Trade and Development) in 1968 (Low & Davenport, 2005). Although Fairtrade has always had this explicit political goal, this thesis will focus more on the practical level.

The FT movement in both North and South expanded during the 70s and 80s, but reduction in trade barriers increased competition for FT handicraft retailers while at the same time demand stagnated due to global recession, a lack of marketing, and more stringent health and safety regulations raised production costs. At that time in the late 80s it was the sector of FT food products that began to take over for the declining handicraft sales when producers needed assistance in the coffee crisis, FT labels began to develop and consumers' ethical awareness began to rise. FT certification was crucial in this development as it gave assurance to consumers that those new 'fair' brands of food products met international standards. Nowadays, FT

also orientates towards the notion of sustainability, including the environmental aspect in its principles as society becomes more concerned about ecological issues.

2.1.3 Topical debate

Some authors (e.g. Low & Davenport, 2005) are of the opinion that this move towards mainstreaming into mostly commercial supermarkets entails the danger of appropriation of the more convenient elements of FT by the commercial sector, such as a fair price, while neglecting aspects such as capacity building. Indeed, FINE does inscribe in its definition and basic principles of FT elements of capacity building when referring to sustainable development, as mentioned above, but retailers or other buyers of FT products do not have to comply to a broad set of standards for their practices but only to the trading conditions of paying a fair price, providing pre-financing and engaging in a longer term trade relation. While mainstreaming brings advantages such as a bigger market for the products, a broader outreach to the public, and the potential of FT practice to influence retailer sourcing policies (Low & Davenport, 2005; Schmelzer, 2006), indeed the danger of mainstreaming lies in the fact that retailers do not have to comply with a set of standards such as applies to the production level of the supply chain, which means that FT principles could dilute to merely the aspect of a fair price if the movement does not guard over keeping a critical approach towards engagement with those mainstream retailers.

2.1.3.1 Alternative versus mainstream FT models

Of course, many critiques exist on FT as a system and on the development potential of FT. To better understand this 'system of FT', Bezençon (2009) makes a distinction between the more alternative model of Alternative Trade Organization [ATO]-led distribution

model and the more mainstreaming direction of the FLO-led system with its FT labelling approach.

As we have seen, FT during its history evolved from being an alternative trade channel outside of the conventional system towards involving with mainstream retailers in order to reach more consumers, creating a bigger market for the FT products and making it possible to include more producers. The alternative model involves activist-led ATOs that work under the ideology of trade justice, while the mainstream model combines FT actors and conventional market players in a more pragmatic fashion (Bezençon, 2009). Nevertheless, interaction and overlap exists between these two systems (see Illustration 3), which marks the importance of understanding critiques on FT in the right context of the distribution system the critique is relevant to, as its different characteristics imply partially different types of benefits and problems (see Appendix 2 for an overview on the similarities and differences as proposed by Bezençon).

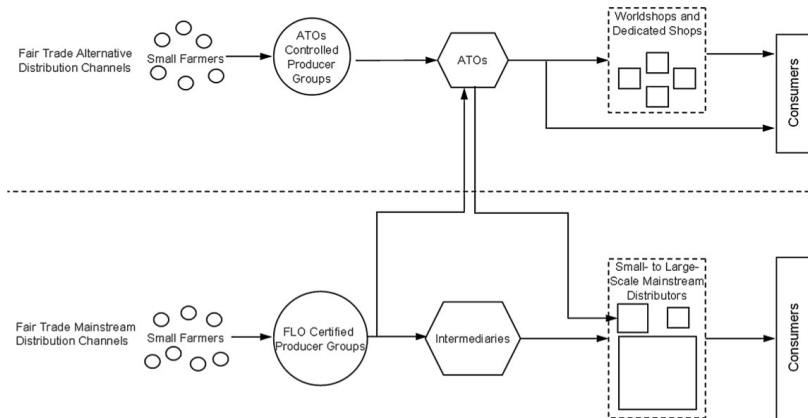


Illustration 3: General distribution channel types of Fairtrade
(taken from Bezençon, 2009)

The divergence of the ATO-led alternative model and the FLO-led model began with the beginning of FT labelling when in 1988

the first label Max Havelaar was created (Bezençon, 2009). It was the existence of such labels that made it possible to differentiate FT products from conventional products when sold through mainstream retail, while giving consumers a guarantee that those products met international standards (Low & Davenport, 2005). FLO was created in 1997 as a coordinating organization for FT certification, while FLO-CERT was created in 2004 as an independent organization in charge of inspection and certification of FOs and the auditing of traders (Fairtrade Foundation, n.d. – b).

The ideological debate on this evolution is very lively nowadays, but the more neglected but nevertheless crucial question is what this shift means for the FT benefits to producers. After all, despite the consensus between proponents of ATO and FLO-led approaches to FT on the benefits of FT, the consumer profile and strategy of distributors differ between the two distribution systems (Bezençon, 2009), an issue that lies at the heart of the debate.

As the Benin FT project combines characteristics of both ATO and FLO-led systems, as will become more clear in the discussion on the case study, we present the model and its implications for FT impact to producers as a basis to better understand important elements that influence the FT development impact in this case study.

2.2 The impact of Fairtrade for farmers and their organizations

In what follows, the (possible) impact of FT on development is reviewed on the basis of the available academic literature and documentation on the subject, and some important factors or specificities that could influence this impact either positively or negatively will be discussed in as far as they are specifically relevant for the case study that will be presented in the next chapter.

2.2.1 Economic benefits

2.2.1.1 Minimum price

The most known aspect about FT is of course what FINE (2001) calls a 'fair price' paid to the farmers in which according to them not only the costs of production are included, but that also permits it to be sustainable both in social and environmental terms. In practice, FLO's Standards Unit will research what a minimum fair price should be, considering the cost of sustainable production in the local context while consulting different stakeholders and traders (Fair-trade Foundation, n.d. - a). As the word 'minimum' indicates, it is not meant by FINE as a fixed price, but as an indication of the lowest price level that should be respected in order to make sustainable production possible. If farmer organizations could negotiate a higher price, or in case the world market price would rise above this minimum price, according to the FT principle the highest of these should apply.

This set minimum price usually means that farmers get a higher price for their produce than they otherwise would on the local or international market⁴. This is important for improving the overall economic conditions of a farmer organization (Dankers, 2003). In the Benin case study for example, FT rice gets a revenue of 188 FCFA per kilogram while on the local market only 128 FCFA/kg (VECO, 2011). In addition, the minimum price protects farmers from negative price fluctuations.

⁴ This is not always the case, for example Ruben et al. (2003) found in a comparison between FT and non-FT and both organic and non-organic production for bananas and coffee in Peru and Costa Rica that the additional income from FT was relatively modest and in some cases non-FT producers reaped higher benefits. They study found that other development effects besides the direct economical benefit were much more important.

Another aspect to the trade relationship that can provide a much needed service is the pre-financing, with part or all of the purchasing price being paid in advance as to reduce liquidity problems so that farmers can finance the production process. This aspect is linked with the more long-term trading relations existing in FT, as was mentioned as one of the FT principles by FINE (2001), also offering more stability to the farmers. Moreover, a FT delivery contract can function as suitable collateral, improving farmers' access to credit (Ruben et al., 2003).

2.2.1.2 Fairtrade premium

On top of the minimum price, a premium is paid to the farmer organization. This FT premium is often misunderstood. It does not comprise an extra to the payment for the rice to the farmer, but it is a separate payment with which social, environmental or economic development activities should be carried out for the benefit of the whole community, for example in education, healthcare, improvements of farming techniques or processing facilities,.... It is inscribed in the FT standards that the use of this social premium should be democratically decided upon by the members of the farmer organization. Unlike the minimum price that is meant as a guideline above which higher prices can be negotiated, the price premium is a fixed amount⁵ set by FLO in much the same way as the minimum price (see above).

2.2.1.3 Market access

FT can not only provide an alternative to conventional international trade, it can also create market access for FOs that otherwise would not have this opportunity. Among the many examples available in

⁵ Information on which factors or criteria are taken into account in order to set the amount of the premium does not seem to be publicly available.

the literature, Dankers (2003) mentions the banana cooperative VREL in Ghana that without FT would not have access to the EU market. The same goes for the two rice FOs in the Benin case study that will be considered more in depth in the next chapter. FT can thus contribute to trade facilitation as it provides an initial guaranteed market for these cooperatives produce and provides the opportunity of linking to the international market. Having a guaranteed market in a more long-term trade relationship with a buyer adds to the increased stability for the producers, having an influence on their attitudes to risks and willingness to invest (Ruben et al., 2003).

2.2.1.4 Net effect?

One can wonder, as do many critics of FT (e.g. Griffiths, 2012) what a minimum price exactly means in terms of net effect. Indeed, the price given to farmers for their produce is not the only factor in the equation that changes when producers step into the FT system. FOs have to pay certification costs and may need to make certain investments in order to comply to FT standards. Farmers have to adjust their production methods to the environmental and quality requirements which can imply extra costs, for example for inputs, hired labor for weeding, or other. It can also be, and this is an important element, that only part of the product that is produced under FT standards is sold at FT price conditions, or more general, that only a small part of total produce is sold at this 'fair price'.

In the case study highlighted here however, the higher price for FT rice corresponds with a higher profit margin per kilogram FT paddy rice that is processed: 112 FCFA⁶ ⁷ in comparison to

⁶ The West African CFA franc has a fixed exchange rate of 655,957 CFA francs to 1 euro.

⁷ This estimate, however, does not consider the cost of certification which in this case was carried by the different partners in the project: FLO's Producer Certification Fund assigns grants for up to 75% of certification

52,3 FCFA for paddy rice in the local market (VECO, 2011). For FT in general, Schmelzer (2006) shows that one can calculate from the aggregate numbers on added value in FT sales and the number of farmers reached, in 2004 FT meant an extra income of almost US\$100 on average to more than one million farmers. Nonetheless one must keep in mind that these numbers can hide a great variety in economical benefits between the many producers involved in FT, depending on the varying particular circumstances.

Ruben et al. (2003) for example identified that the net income effect of FT for banana and coffee in Peru and Costa Rica is limited and sometimes even negative compared to conventional and/or organic production. Several factors were identified that play a role in this: a substitution effect of other farm activities with FT, the use of more (hired) labor and inputs, sales of only part of the FT production under FT trade conditions and the fact that the premium is a benefit that accrues to community level. Moreover during the study, world market prices were generally high, naturally limiting the FT income bonus. The study showed that welfare effects other than the direct income effect due to FT were far more important.

2.2.2 Social benefits

Although the price aspect of FT is the most well-known, many of the benefits of FT cannot readily be expressed in financial terms. As we have seen above in the FINE definition of the FT principles, FT aims to improve in the long term not only the economic but also the social

costs for small farmers' organizations and financial support has also been given by the NGO VECO and the Belgian retailer Colruyt. It was not possible for the author, in the context of this thesis, to obtain more detailed numbers on the percentage of the costs carried by the different actors. The estimate also does not take into account the ratio of FT produced rice versus rice sold under FT conditions. It will show from the case study analysis that the cost-benefit balance is factor in the FT-as-development-tool consideration that cannot be ignored.

opportunities of smallholder farmers. This includes working on the strengthening of small producers' organizations and of producers' ownership and participation in decision making, as well as environmental sustainability of the production.

2.2.2.1 Strengthening of farmer organizations

Case studies show that indeed, the FT price premium is only a (usually relatively small) part of the derived benefits. An aspect considered most important is often the success in self-organization through which the farmer organizations develop a better bargaining position, credit worthiness and economies of scale and improve service provision to their members such as technical assistance and trade opportunities (Dankers, 2003; Ruben et al., 2009; Schmelzer, 2006).

FT standards require farmer groups to have a democratic structure and a transparent administration in order to get FT certification. There must be a committee in which producers have representatives to decide about the use of the FT premium. This automatically means that FOs wanting to apply for FT certification need to develop their business-management capacities and organizational structure. As we will see, it can be useful for small farmer organizations to get support from either an ATO or an NGO in the initial stages of this process of capacity building. For example, common difficulties for small farmer organization mentioned by Ruben et al. (2009) include information provision towards members, involvement of the producers in internal decision-making and genuine leadership.

FT participation is in this way advocated for its learning-by-doing experience in export for farmer groups, expanding the organizational capacities of these FOs as well as product quality, as it provides opportunities for training on production techniques, transformation processes, management and more. Bezençon (2003) moreover mentions a shift of value-creating activities to producing coun-

tries through training on the use of by-products and processing of the agricultural products in a Cameroonian cooperative.

2.2.2.2 Sustainability of production

FINE (2001) explicitly mentions the environmental practices of participating farmer organizations as one of the concerns FT wants to address by promoting responsible methods of production. Organic cultivation is encouraged with higher FT premiums. The FT standards⁸ forbid the use of certain agrochemicals that are toxic and dangerous for the environment and of plant materials taken from protected areas. FOs must develop guidelines for the safe use of tolerated agrochemicals (FLO, 2011a). An internal control system has to make sure that farmers help each other to comply with the agreed upon cultivation methods and environmental measures.

For example in the Benin case study, the FOs chose to not use pesticides and to only use a small dose of chemical fertilizer. Farmers still use crop rotation where this is agronomically feasible. In cases such as the one described by Bezençon (2009) crop diversification is actively encouraged, although the author argues that this is less the case in the FLO-led cases as opposed to FT via the ATOs⁹, in line with critiques about FT providing incentives for more intensive cultivation (see e.g. Griffiths, 2012; Sidwell, 2008) – a stance that can be nuanced when for example FT export volumes are low vis-a-vis total production of the FO, which is the case in the Benin project we will study further in this work.

Although FT shows a positive effect on the use of chemical inputs, Ruben et al. (2009) find that land improvement measures to en-

⁸ The full FLO Standards for Small Producer Organisations are available at <http://www.fairtrade.net/942.html>

⁹ See above for a more elaborate explanation of the distinction between FLO- and ATO-led systems in FT distribution and its consequences on farmer benefits.

hance soil conservation, such as terracing, contour rows and drainage are still scarce either due to the FT price premium being too low to allow for this type of investments, or other circumstances such as insecure land rights. In the Benin case, the FO in Kpataba did use the FT premium to pay the farmers' share in a project for land preparation (*aménagement des bas-fonds*) (Atomabe 14/08/2012).

2.2.2.3 Empowerment

A subject rarely touched upon in the literature on FT is the sense of pride about their work that farmers gain from their participation in FT. Producers involved in FT however tend to stress the importance of these effects in what FT means to them (Merino Alvarez C. G., personal communication, 14/10/2011; Batcho n. d.).

Moreover several case studies mention members of FT FOs becoming engaged in wider social debates and political issues, a demonstration of the strengthening of social capital and civil society rooting in “the organizational power of Fair Trade cooperatives” (Schmelzer, 2009, p.23). FT farmers also allocate the available income differently, more towards long-term investments including education (Ruben et al., 2003), causing them to be more likely to improve their welfare, social and political position in the long run.

Empowerment indeed entails more than a transfer of added value from consumers towards farmers. The professional development provided to producers through FT participation helps to expand bargaining power and FT has been observed to in strengthening indigenous identities, FOs and their political position (Goodman, 2004). FT thus plays a role in raising farmers' self-esteem and feeling of dignity by giving them recognition for their work and the progress they make – having effect on social and political empowerment (Bezençon, 2009).

2.2.3 FT's influence on non-FT producers

There are not many studies that take a look at spillover effects and compare the situation of farmers participating in FT with their non-FT producing counterparts. Nonetheless, the comparison is essential in the debate between FT proponents and critics about the overall net impact of FT, as critics mention negative price effects of FT on other producers, or selective effects channeling benefits towards already better off farmers (e.g. Griffiths, 2012).

An exception is a study by Ruben et al. (2003) that compares the welfare impact for FT farmers with non-FT farmers, both organic or non-organic producers and correcting for initial household asset levels. They find positive price effects of FT on general market prices for banana, in this way also benefitting non-FT producers. Nonetheless, this effects can occur only under the condition that the market share of FT is high enough (about 30%) for exercising local market power. There was also a significant effect on contract conditions for wage labor throughout the area. Access to FT thus seems to set minimum conditions for sales through different channels.

Other effects mentioned are price information being more rapidly available to all producers in the area, extra income benefitting the entire family of the FT producer, and the FT premium being spent on development projects with community-wide impact (Fairtrade Foundation, n.d. - a; Ruben et al., 2003; Schmelzer, 2006).

2.2.4 Important elements for FT to work for development

Some structural critiques on FT are important to address here, as it involves contentious issues playing in the debate on FT's impact for development. The issues discussed here are particularly relevant to the case study that will be presented and draw on elements discussed above.

2.2.4.1 Efficiency of FT

Critiques often attack the efficiency of FT compared to conventional development aid. This critique mainly focuses on the net economic transfer to the farmers, as mainstream retail pockets part of the added value on these products in their profit margin, a part calculated to be higher than economic benefits transferred to farmers in some cases, but reasonably low in others (Griffiths, 2012; Schmelzer, 2006; Sidwell, 2008). This of course also depends on the structure of the chain, which can be very different in coffee for example than in the case study examined here. Another cost of which the return to farmers should be taken into account, are working funds for auditing activities, advocacy and so on. As consumers typically have the understanding that the extra value they pay for a FT product is a direct contribution into the producers' pocket, FT financial efficiency is a contentious issue, leading to suggestions for FT criteria to be established at retail level, for example requiring that the margins of retailers for FT products do not top those for conventional products (Schmelzer, 2006).

However, as we have seen in this literature overview, the most important FT benefits for farmers lie in the realm of capacity building through the learning-by-doing experience and spill-over and out-reach effects which result in the formulation of recommendations by Ruben et al. (2009) to reinforce the structural impact of FT through improved attention to the internal organization of the supply chain and the relationship between key stakeholders.

Dankers (2003) moreover argues that benefits from developmental aid and from FT are highly mutually supportive and interlinked. If we combine this insight with Bezençon's (2009) comparison of ATO-led versus FLO-led systems, it might not be all that surprising to hypothesize that the presence of an NGO, which by nature guards the more ideological approach to trade that we also encounter in ATO-led system, can thus create a synergy with the FLO-based

trade. The case study presented below provides an example in which the coordinating presence of an NGO in the FT project facilitates the relationships between stakeholders and helps keep the focus towards improvements in the organization of the supply chain to the benefit of the FOs, which is otherwise more typically present in the ATO-led system.

2.2.4.2 The exclusionary force of FT

Of course, for FT to benefit development, small-scale family farmers should first be able to participate in it. A major critique on FT claims that it excludes the producers most in need of it, favoring participation of the already somewhat more well-off farmers (Griffiths, 2012; Sidwell, 2008). Although most FT producers and workers are found in Africa (58% in comparison with 25% in Latin America and the Caribbean and 17% in Asia), Latin America has the highest number of certified producer organizations, the most area under FT cultivation, it received 66,5% of total FT premium disbursed and has 8 countries in the top 10 of reported FT sales income for 2009-10 (FLO, 2011b). Seen at this level, Latin America, being a more developed and richer continent than Africa, runs ahead in obtaining FT revenue.

An important factor in these trends is the quality standard that FT production and products have to obtain. It is typically the poorest farmers with the less resources and natural endowments that have difficulties obtaining the necessary level of product quality (Goodman, 2004). Bezençon (2009) nuances this in the sense that this effect is mitigated in the ATO-led system where the ATO often gives support to the farmer organization in the process leading to compliance with the FT standards. Some FOs would not have been able to get access to the international market without FT opening up a space for inclusion (Dankers, 2003). In the FLO-led system, this kind of support is not readily available, in this way excluding farmer organi-

zations that do not already have a more professionalized institutional structure and even some export experience from entering into FT (Bezençon, 2009). However, as mentioned above, development aid like support from an NGO can prove to create a synergy by helping FOs to reach the requirements and thus offset this problem with the mainstream FT model.

2.2.4.3 Producer participation

Another concern is the issue of producer participation, both on the level of the FO as in the mainstream FT model when facing large retailers.

At FO level, a new elite can be formed in the sense that the more educated members can take over the process and go over the heads of illiterate or innumerate producers. Griffiths (2012) reports case studies about FT coffee where problems arose with cheating by management in FT cooperatives, causing disadvantage to the farmers. The emergence of such a new management class of course can be positive for professionalizing an organization, the important precondition being the continuation of effective and democratical control by the members (Dankers, 2003). Even when overall the situation in FT FOs does not get this dramatic and much also depends of the structure of the chain, finding good leadership that can find an equilibrium between managing export relations and including and informing all producing members is not an evident aspect and is even less straightforward where the FOs president and secretary are farmers themselves only devoting part of their time to their office. In such cases of small FOs though, the generation of elite producers is limited because of the small quantities sold by each producer (Bezençon, 2009).

In regards to the relationship between the FO and the FT buyer, especially in the mainstream model where buyers usually are large western importers or retailers, it is evident that the balance of power

between those trading partners can pose a concern even though FT is defined as being a “trading partnership” (FINE, 2001, p.1) that implies a trading relationship between the stakeholders that combines market-based and ethical elements and that aims to be sustainable in the long-term (Tallontire as cited in Schmelzer, 2006, p.28). FOs, especially in the FLO-led system when dealing with large companies, are likely to be “dependent stakeholders”, both in the sense that they depend on FT sales to the company and in the sense that Mitchell et al.'s (1997) stakeholder typology give to it.

The proposition of Mitchell et al.'s theory is that “stakeholder salience will be positively related to the cumulative number of stakeholder attributes – power, legitimacy, and urgency – perceived by managers to be present” (p. 873). One can imagine that in the case of smallholder FOs, FT trade relations and development, the key attribute of interest would be power. Groups that have a legitimate and urgent claim but lack power are named ‘dependent stakeholders’ (see Illustration 4). As Mitchell et al. (1997) concisely phrase it: “because power in this relationship is not reciprocal, its exercise is governed either through the advocacy or guardianship of other stakeholders, or through the guidance of internal management values”. An NGO then could play a role in balancing out the relationship¹⁰, in this way adding to the synergy between development cooperation and FT as identified by Dankers (2003).

¹⁰ For a more elaborate argumentation of the role of NGOs in facilitating a more direct relation between businesses and beneficiaries in the context of improving the development impact of CSR initiatives (of which FT projects could be examples), reference is made to the paper submitted by the author for the 2011-12 course Special Topics in Cultures and Development of the CADES Master program at KULeuven.

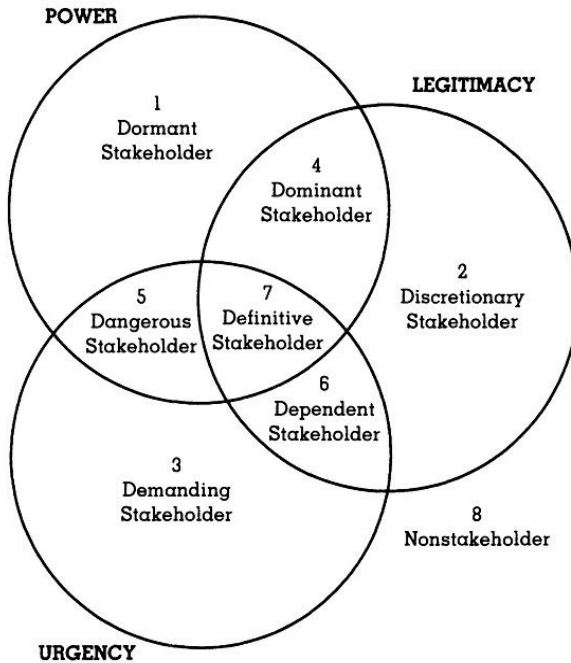


Illustration 4: Mitchell et al.'s (1997) Stakeholder Typology

In order to better understand the relationship between the different actors, it is also interesting to complement this model of stakeholder engagement by addressing another important remark at this point. In order to make a partnership between these type of actors really work for development, i.e. produce structural, useful outcomes for local communities, we need to keep in mind that even though the identification and salience of stakeholders can lead to local groups being involved in dialogue with businesses, this does not necessarily mean that the outcome of this engagement process would automatically be classifiable under real corporate responsibility. Greenwood (2007) proposes a model of stakeholder engagement and the moral

treatment of stakeholders based on the relationship between the two variables stakeholder engagement and stakeholder agency. The latter is taken by Greenwood as “a proxy for the responsible treatment of stakeholders” (Greenwood, 2007, p.322). This model can help us better understand the notion of responsibility in contrast with irresponsibility and the whole continuum in between and beyond these two. Although it originally applies to the topic of CSR, corporations' engagement in a FT relationship with a smallholder farmer organization can be seen as part of a CSR strategy.

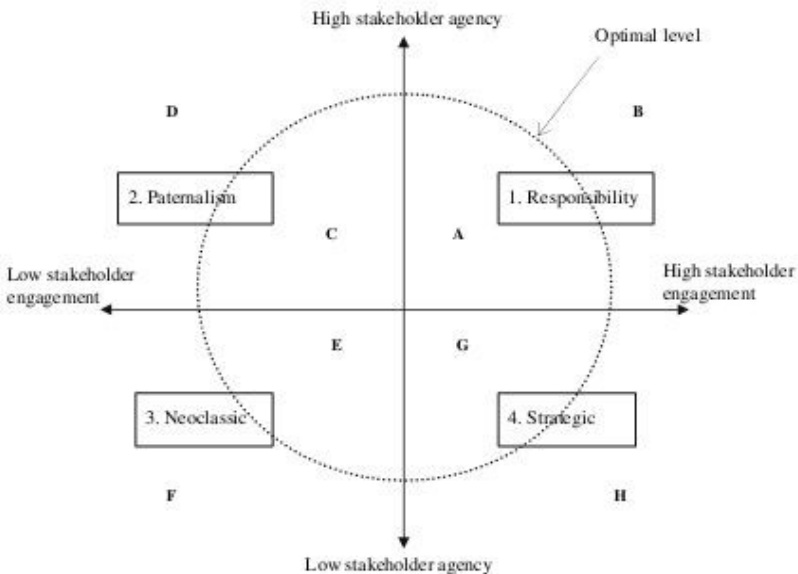


Illustration 5: Greenwood (2007) model on classification of stakeholder engagement

According to Greenwood’s model, corporate responsibility fits in where relatively high stakeholder engagement corresponds with rel-

actively high stakeholder agency (see Illustration 5; explanatory table attached in Appendix 1). Here, as explained by Greenwood, the company balances the interest of legitimate stakeholders in a manner in keeping with justifiable moral principles. Although this seems to be the ideal scenario, Greenwood argues that a lot of initiatives presented under the CSR label, and thus possibly FT commitments, actually fall into the ‘strategic’ quadrant where a business responds to the needs of stakeholders not with the moral intention to fulfil these needs but rather to advance its own interests. Stakeholder engagement then becomes simply a means for strategic management. Of course, this type of initiatives can still contribute to development, but these kind of results would more be side-effects than actual structural and sustainable change. We will further use this model in the case study to discuss the relationships between the farmers, the NGO and the retailer.

3• Case study

FT is defined as being a “trading partnership” (FINE, 2001, p.1) that thus implies a trading relationship between the stakeholders that combines market-based and ethical elements and that aims to be sustainable in the long-term. Tallontire defines the necessary conditions for this as a shared understanding of the problem or issue and its context, shared objectives, mutual commitment to the partnership, a distinct or unique contribution, and mutual trust (as cited in Schmelzer, 2006, p.28). In the following section the different project actors' views and attitudes towards FT, the pilot project on rice in Benin and the other actors are explored in order to try and identify some important elements in the workings of FT for development and farmers' inclusion. The case study is approached from each actor's perspective in order to learn about the relationships between them and the role each actor plays in making this FT project work for the farmers' development. For a description of the project's context and activities, see section 1.2.

3.1 VECO

VECO is a small Flemish NGO that employs 48 people in its head office in Belgium, 13 expats and 113 local staff¹¹. Despite its small size, it is an organization known for its long history of and expertise in working with farmers for sustainable agricultural development. VECO's mission is to help small-scale farmers earn an adequate income from sustainable agriculture through participation in markets. The NGO has evolved from working on sustainable production techniques and providing technical support, towards a vision that recognizes the importance of market inclusion for small-holder farmers

¹¹ 2010 data available at <http://www.ngo-openboek.be>

(VECO, 19/03/2012). This vision includes the view that, in their words, “partnering with the private sector is an excellent way to optimise our [VECO's] impact and increase the likely sustainability of farmers' gains” (Seas of Change, n.d., p.1).

3.1.1 VECO's view on FT

VECO believes strongly in FT as a development tool. The goal of the FT pilot project on rice is indeed not to set up a large export chain, but to use the exercise in order to obtain results such as improvements in rice production and quality, and capacity building¹² in the FO in order to improve their position in the local market. The FT standards that have to be met are for them a means to reach these goals – for example mentioned as an important element by VECO was that the FT criteria worked as a leverage to set up an internal quality control system in the FO (VECO 19/03/2012; Azagnandji 14/08/2012). The export of a small part of total rice production to Belgium is a strong symbolic element that contributes to improving the local image of the rice in the eyes of the Beninese consumer and even the farmers themselves, who see the sales of "their" rice to European consumers as a huge recognition of its quality, therefore gaining a better position in the competition with Asian imported rice. This makes the farmers very proud of their work and gives them the energy to tackle other hurdles in the marketing of their rice such as transformation and packaging for the local market (Azagnandji 14/08/2012).

Nevertheless, the NGO admits that the question of using FT as a development tool was not as such researched in advance through literature, publications, or a provisional cost-benefit analysis for the proposed project (Lateir M., personal communication, 02/07/2012). Since the project started off as an opportunity to work together with

¹² Some concrete examples of project activities are given in section 1.2.3 where the FT pilot project is described in its broader context.

a large retailer on issues of supply chain sustainability and small-farmer inclusion, the use of FT was adopted in the project in the first place also to build in an external guarantee on the sustainability of the trade relationship and a fair price, as retailer Colruyt did not include guarantees on trade relationships in their Colibri Foundation for Education (see further) that serves as a framework for their contributions to development initiatives (Lateir, personal communication, 02/07/2012). At that time, the theme of FT in Africa received some attention, also in Benin, and so they saw it as an opportunity to learn about the system and its potential in an African context (VECO 19/03/2012). FT certification later also proved a useful instrument to promote the rice to Belgian consumers, as it is known as an externally controlled guarantee on the sustainability of the production and inclusion of the farmers (VECO 19/03/2012).

The insufficiency of literature research and cost-benefit analysis of FT certification is important to mention as both VECO and the FO recognize that the FT certification cost in combination with a limited market puts problematic constraints on the profitability of this FT exercise to the farmers (see section 3.2.4 and the discussion chapter for more details). Nevertheless, after working in the program in Benin for several years, Azagnandji (14/08/2012) is convinced that it would not have been possible to attain the positive outcomes they have experienced without using the need for compliance with FT criteria as a motivational and learning tool.

3.1.2 Why and how VECO contributes to the project

The main reason for VECO to engage in any project is to contribute to poverty reduction and food security. The NGO believes that the key for this lies in supporting small-scale farmers gain an adequate income from sustainable agricultural activities. After a strategic exercise, VECO now aims to improve farmers' income through their inclusion in modern markets. More specifically, they want to stimulate local production and support the development of an effective lo-

cal value chain (Seas of Change, n.d.). In Benin they do this through a broad program covering the whole chain, from improving production methods, access to agricultural inputs and investing in processing, quality enhancement and marketing. The FT pilot project especially wants to contribute to the latter two aspects and also fits into the NGO's strategic vision of working with companies in order to create a learning process both for the farmers on technical aspects and marketing expertise and for the company regarding the sustainability of their purchasing policies and inclusion of small-scale farmers. The reason for VECO to set up this specific project with Colruyt was thus twofold. Working with one of Belgium's top ranked retailers is important to VECO, as it not only positively influences their public image if they get a well-known company to collaborate with them on these issues, but also the possible outcomes for the company's purchasing policies would have a bigger impact (VECO 19/03/2012).

VECO's contribution as the initiator of the project is unsurprisingly of multiple scope. Firstly as a coordinator or facilitator between the different actors in the project, making them work together in favor of the farmers which are VECO's key beneficiaries. Secondly as a facilitator for capacity building and chain development at the local level. This includes both 'coaching' by a local VECO representative coordinating the overall rice program, such as helping the FO compiling and communicating the documentation for the FT application or helping to organize training sessions for farmers; and financial support, for example for infrastructure such as storage facilities.

3.1.3 VECO's relationship with other actors

As said, VECO is the pivot in the project, coordinating the project with all actors and taking a role in facilitating the good flow of the project throughout the years as it develops organically in open dialogue with the partners.

VECO is of course directly involved with the farmers through the FOs, that remain the principal focus of the project. VECO's head office in Belgium maintains close contact with the local office in Benin where an employee specifically works on a daily basis with the FOs on the rice program in the Collines region. From interviews with this local VECO coordinator, with the regional farmers organization UNIRIZ-C and the the UCR Savalou which is the community level FO, and from the personal experience of the author in the project, it is clear that the farmers are very grateful for VECO's support and acknowledge that their situation has positively changed since VECO started working with them. There is good and frequent communication between VECO Benin and the FOs, in which concerns or problems are often freely discussed in an atmosphere of trusting dialogue in order to find solutions together. In order to obtain FT certification there were many challenges to overcome and VECO provided infrastructure and helped organize training¹³ for the farmers in order to optimize the production method and establish and internal control system, and functioned as a communication channel in order to obtain necessary information about FT certification procedures from the web – as computer and internet access in rural Benin is limited¹⁴ - and negotiate a discount on the FT certification fee from the FLO Producer Certification Fund.

As far as VECO's relationship with the retailer Colruyt is concerned, we have seen that using Mitchell et al's (1997) theory of stakeholder engagement, an NGO can act as a coalition partner to improve the salience of the FO towards Colruyt. In this way, the presence of the NGO brings in elements of the ATO-led system into a FLO trade relationship as previously described (sections 2.1.3.1

¹³ Some concrete examples of project activities are given in section 1.2.3.

¹⁴ The UCR Savalou obtained a computer with prepaid internet access through the VECO rice program in early 2011 as to mitigate these difficulties of access to information and communication (authors' personal experience).

and 2.2.4.2&3). Indeed, the intent of such project for VECO is to safeguard small farmers' FT benefits and inclusion in the retailers purchasing policy. In this manner, they take the role of what Colruyt calls a "supply chain coach" (Colruyt 12/03/2012). It is interesting to note that Colruyt, initially only focusing on youth education projects, did extend their social commitment vision to include trade relations. Nevertheless one must be aware of the power relations as we can see using Greenwood's (2007) model on stakeholder engagement (see Illustration 5). If we would try to apply this framework to VECO, clearly the NGO falls into the category of high stakeholder engagement. But the ambiguity of NGOs position in this partnership with a retailer immediately arises when asking ourselves about stakeholder agency. With Colruyt and the FOs obviously having very diverging positions and interests, which of those would count more in the NGOs considerations? Which of those two would have more attributes of power, legitimacy and urgency in Mitchell et al's (1997) stakeholder classification? Traditionally, for VECO this would be the farmers and their organizations and this was also confirmed in a fairly recent strategic exercise of the NGO (VECO 19/03/2012). But while partnerships with businesses evolve and strengthen, this is certainly an element for NGOs involving in these relationships in the context of FT to be very aware of and cautious about. As described in section 2.2.4.3, Mitchell et al.'s stakeholder typology is not a static framework, but stakeholder salience is a dynamic given as the parties involved gain or loose on their attributes when interacting in an ever-changing dynamic context. From the interviews it is clear that VECO is aware of this and sticks strongly to its mission, as Colruyt still seeks to bring in the youth education in the project, but VECO, apart from being being open to discussion and looking for the possible common ground, will not step out of its vision and mission in order to answer to this request (Colruyt 12/03/2012 and 09/07/2012; VECO 19/03/2012).

VECO's contact with other actors such as FLO-CERT and the importer Boost Nutrition seem to be mainly as representing the farmers' side because of their local knowledge and facilitating communication and discussion between the parties that are geographically separated and would otherwise not have straightforward communication possibilities due to factors such as access to communication technology, language, culture and experience (Azagnandji 14/03/2012; Colruyt 12/03/2012; Etekpo 14/03/2012; VECO 19/03/2012). Or simply due to the setup of contractual relationships such as Boost Nutrition as being a service provider to Colruyt with VECO bringing in the knowledge of the local situation and possibilities (Boost Nutrition, 08/08/2012, see also section 3.4).

In summary, VECO's position is pivotal and ensures the representation of the FO's interests at various levels in the FT supply chain. This contributes to this FLO project having some advantages inherent to ATO-type FT as described by Bezençon (2009).

3.1.4 VECO's view on the FT project's results

VECO considers the project to be highly successful. There are many results they attribute to the use of FT and its criteria as a motivational and learning framework. First of all at production level, clear standards were created in consultation with the producers and an internal quality control and traceability system was set up in order to allow farmers to monitor the quality of their rice from seed production to sowing to harvesting. This is seen as an important achievement towards both FT and local markets (Azagnandji 14/08/2012). The production standards among other basic environmental measures also allowed to reduce chemical fertilizer use by half and it was decided to not use pesticides for FT rice production for environmental and health reasons (VECO, 2011).

At storage level, in order to comply with FT standards, VECO supported the FOs to build adequate storage facilities and purchase

humidity meters, as moisture content is a crucial aspect in rice quality and food safety concern. The grant element for infrastructure and tools shows the importance of a synergy between FT and development cooperation in inclusion of small-holder farmers and shows an element of the ATO-led system benefits being included in this project with a mainstream retailer, as already indicated above.

On the topic of marketing, the FT learning process led the farmers to see the importance of taking into account different consumer preferences, as a quality product allows the FOs to find a more profitable market, be it international via FT, regional or national (Azagnandji 14/08/2012; VECO, 2011). An exchange visit to Colruyt to know more about rice quality requirements inspired the FOs to themselves organize exchange visits to learn more about local and regional consumer preferences and with this also improving their capacity to find alternative markets for their rice (VECO, 19/03/2011).

Governance and structure of the FOs was improved by the organization of regular General Assemblies and the official registration of the FOs (Azagnandji 14/08/2012), which is part of the FT requirements on democratic organization. Cooperation between the FOs of Tchetti and Kpataba and the community level UCR Savalou became more effective, increasing the organizations' negotiation position. Contractual commitments between the farmers, the FOs and the UCR were reached in order to organize the collection of FT rice among the farmers group to be able to satisfy the order made by Colruyt (VECO, 2011).

On a broader level, participating in this FT exercise stimulated the farmers to not sell their rice as paddy, but to find opportunities to create higher added value by having their rice peeled and packaged via service provision by local rice mills (Azagnandji 14/08/2012). According to VECO's rice program coordinator in Benin, other development organizations were inspired by seeing this example and started to support other farmer groups in the region to increase profitability (Azagnandji 14/08/2012).

Many of these achieved results such as rice production and quality improvement, the traceability and internal quality control system, storage infrastructure, and the improved governance and official registration of the FOs are seen by VECO as results that will continue to be important for the FOs even if they would not keep selling FT rice to the international market (Azagnandji 14/08/2012), which was indeed the effect sought after by VECO in this pilot project by using FT for capacity building and local market development and not for continued export per se¹⁵.

Nevertheless, with many of these benefits confirmed by the FOs (Atomabe 14/08/2012), questions remain on both the up- and outscaling of the results since Azagnandji confirms that the process towards the compliance with FT standards was essential in obtaining them, while at the same time acknowledging the main problem of the FT market remaining very limited. With only 1% of total (FT and non-FT) rice production by the FOs sold under FT conditions (VECO, 2011), and taking in consideration the high certification costs, the FT financial benefits for the farmers remain limited and in consequence also the effects on, for example, schooling, construction and health-care for the smallholders' families (Azagnandji 14/08/2012; Atomabe 14/08/2012). While initial certification has been subsidized by the FLO Producer Certification Fund, the costs for follow-up audits are a concern the FOs are trying to mitigate (see also section 3.2.4).

3.2 The farmers and their organizations

Various smaller group of rice farmers make up the two participating FOs of the villages Tchetti and Kpataba in the community of Savalou in the Collines region in central Benin (see Illustration 1). These two FOs are part of the community level rice farmers' organization, the UCR Savalou. These are small organizations of rice producers with limited means that do not have any payed nor full-time

¹⁵ See section 1.2.3 for more details on the project set-up.

employees or managers. Both FOs and the UCR have a president, secretary and treasurer, democratically chosen on voluntary basis and themselves farmers producing rain-fed rice in the lowlands of the Collines region. The FOs coordinate the internal quality control system and the collection of paddy rice conform to the defined quota and respecting the traceability system. The UCR Savalou, in collaboration with the national rice farmers' organization CCRB, offers services such as input supply and is involved in completing the necessary documents for exportation of the FT rice (Atomabe 14/08/2012).

In most cases, rice is not the main cultivation of these farmers and they continue to grow maize, manioc, groundnuts and other basic foods in which they are largely self-sufficient. The primary purpose of agriculture is to feed the family and most of the produce is therefore not sold on the market. Rice on the contrary is for the most part brought to the market, still being a food that is regarded as a luxury food for festive occasions - although more and more it is becoming a part of the popular dietary habits - and is in that way one of the only crops that brings in cash money for the family's education and health expenses, which gives it an important place in the ensemble of cultivations on the farm (Batcho, n.d.; Meyer, 2007). Etekpo (14/03/2012) indeed points out that nowadays rice results in a higher revenue per hectare than maize or cotton, and this is certainly true for FT rice.

This had not always been the case, as cotton had been the backbone of the Beninese economy for decades. Rice cultivation had always existed around the region, but was a small activity mostly carried out by women (VECO 19/03/2012). But when the cotton sector collapsed and prices fell, farmers found an alternative source of income in rice growing. Not only the market, with its increased demand due to population growth and urbanization, but also the region of les Collines proved to provide potential for rice farming, with its ample availability of wet lowlands still laying idle. Currently, even

after fast growth of the sector in recent years, only 8% of suitable land for rice growing is being cultivated (MAEP, 2011) and the customary property regime is so that land can be easily rented by farmers, even without cost (Azagnandji 14/03/2012).

In summary, both due to social and economic factors it thus seems to make sense that in order to create both a food security and poverty reducing effect, VECO chose to accompany the farmers in this shift from cotton towards rice. Since 2009, the government also developed a strategy that aims to develop the rice sector in response to the potential (MAEP, 2011).

3.2.1 The FO's view on FT

From several interviews with farmers, it is clear that for them FT is important because of the good price and the fact that the contract with Colruyt provides guarantees to the producer about this price and the quantity he will be able to sell at these conditions (Atomabe 14/08/2012; Batcho, n.d.; Eteko 14/03/2012). As we have seen, rice is considered both a food and cash crop in Benin, which makes it important. Getting a better income with it means an aid in feeding the family, paying school fees and build housing (Batcho, n.d.). Although it must be reminded here that this effect is limited because of the small quantities sold to the FT market. Apart from the economic aspect, selling FT rice is a source of great pride for the farmers, as it confirms that they are doing a good job as they are able to deliver a quality product to demanding European consumers. This also gives them an edge in promotion of their rice on the local market (Atomabe 14/08/2012; Batcho, n.d.).

The farmers in Benin are very aware of the FT standards that they have to comply to, as there have been several trainings on this, and the FOs worked hard to attain the basic standards in order to obtain the FT certification. Especially the ecological aspect of production received attention due to FT and farmers now have incorporated

some ecological practices in their habits (Atomabe 14/08/2012). FT also means to the farmers that they have gone through a learning process that led them to produce a high quality rice that is even accepted on the demanding European market (Atomabe 14/08/2012; Batcho, n.d.). Importantly, FT also means that the farmers get pre-financing – in this case even the full 100% of the payment - for their inputs, so they do not need to make debts in order to start producing (Atomabe 14/08/2012)

3.2.2 Why and how the FOs contribute to the project

It is clear that the project stands or falls with the collaboration of the FOs. After all, they produce the rice without which there would be no FT nor rice project. But the FOs are happy to participate as it gives the farmers an opportunity to move forward, improve their income, and the FOs get more recognition among the farmers due to improved structure and service delivery (Atomabe 14/08/2012; Etekpó 14/03/2012).

The contribution of the farmers can be summarized into time and effort they put into the production of the rice and in the learning process, some of them participating in training, in the internal control committee and/or the management of the FOs, while all farmers put an effort into producing their part of the quota while respecting the FT production method that is somewhat more laborious than the traditional ways because of the sowing in rows, no pesticide use, etc., but also more input efficient (personal experience of the author).

3.2.3 Farmers'/FO's relationship with other actors

The FOs mostly deal with VECO as a boundary partner, as it is the only actor in the FT chain that has office in Benin and being in daily contact with them in person or via phone. The FOs are very recog-

nizing towards VECO as the NGO is the 'hub', the facilitator that helps them exploring possibilities and profiting from market opportunities. Without the NGO's support in the process towards FT standards compliance, the FOs would not have made the same progress. The relationship between the FOs and VECO in Benin is one where honest, open discussion about problems or difficulties is not only possible but frequent, and solutions are sought in close collaboration (personal experience of the author). VECO works with several FOs, among which since 2008 also a number of FOs in the Collines region that do not produce FT, but no jealousy from non-FT farmers towards FT farmers is reported, although non-FT farmers would be keen to be able to produce rice under the favorable FT price and contract conditions should the market for FT rice expand (Azagandji 14/03/2012; Eteko 14/03/2012).

FLO-CERT is another organization that is in direct contact with the farmers, be it e-mail contact about administrative certification and auditing issues with FLO-CERT in Germany, or direct contact with a regional FT auditor and more recently also a Burkinabese FLO-CERT collaborator that assists the FOs in finding new FT market opportunities, although so far still without results. It does seem as such that FLO-CERT puts personal effort in the inclusion of small FOs into the FT market¹⁶.

About the FOs' direct relationship with the retailer Colruyt we can be quite short since it is mostly a symbolic, long-distance relationship. Indeed, Colruyt's main contribution is providing funding and giving feedback on the quality of the rice for the Belgian market, a feedback loop that runs through VECO. Apart from a few symbolic encounters, one of which brought CEO Jef Colruyt to the

¹⁶ It would have been interesting to learn more about the relationship between FLO-CERT and the FOs, but since FLO-CERT does not answer to individual requests for interviews from researchers, it was not possible to further explore the topic of small-scale farmer inclusion with the FLO-CERT employees concerned with the Benin case.

Beninese rice fields, the FOs are not in direct contact with Colruyt. Nevertheless farmers readily express their gratitude towards Colruyt for giving them this trade opportunity and for their financial contribution in the development project (Eteko 14/03/2012). As Dolan (2007) mentions, farmer communities can perceive the FT premium as a 'gift' that cannot be reciprocated and, inspired by Mauss' theory of the gift, this can produce an indebtedness towards the northern 'benefactor', creating an imbalance in the relationship. However it is difficult to determine in the context of this thesis whether and to which extent this is the case here – in any case such imbalances would be at least partly mitigated by VECO acting as facilitator and 'communication hub' between Colruyt and the FOs. Nevertheless the question of balance of power and reciprocity remains an important one for projects like these (see also Colruyt's position, section 3.3.3).

3.2.4 Farmers' view on the results of the FT project

Rice, being both a food and a cash crop in Benin, brings a better income to the table than other crops, especially when sold in the FT market. This permits the farmers to provide food for their families, who now eat rice not only for festive occasions but also as part of their usual diet as local rice is available year-round, replacing the imported rice at producer level (Batcho, n.d.). A higher income also contributes to pay the childrens' schooling and housing construction (Batcho, n.d.).

The farmers recognize the learning process inherent to the work towards compliance with FT standards and are very proud of their achievements so far. An important lesson learned is that their revenue is dependent on the quality or the product they supply and how it is adapted to consumer preferences (Atomabe 14/08/2012). Their rice now has a higher added-value, being of better quality, peeled and packaged by the FOs so it can be sold to more remunerative markets, be it FT or national or regional urban markets (Batcho, n.d.;

Atomabe 14/08/2012). Indeed, the rice of Savalou is now specifically sought after on the national market (Atomabe 14/08/2012).

Working towards FT standards compliance also raised awareness on environmental issues, important also for soil fertility and health reasons. Farmers apply basic rules such as leaving a number of trees per hectare not only to the FT rice fields but also in other cultivations and they are aware of the health risks of using pesticides (Atomabe 14/08/2012; Azagnandji 14/08/2012).

The FT premium is also important for the communities. In the village of Kpataba, the FO used the FT premium to pay the farmers' part in a project for "*aménagement des bas-fonds*" - to make the rice fields ready for this year's planting. The village of Tchetti is still in the process of deciding what to do with the premium money to benefit the whole community (Atomabe 14/08/2012).

The main benefit though, always the first to be mentioned by the farmers, remains the higher price they get in the FT market, combined with the pre-financing through which the farmers can pay for inputs. In the case of the Beninese rice being sold to Colruyt, 100% of the payment is made in advance, which makes that the farmers get their money very soon and do not have to make debts while waiting for their payment. This is felt as a huge advantage by the farmers (Atomabe 14/08/2012). As expressed by the president of the UCR Savalou Faustin Atomabe (14/08/2012), farmers would not hesitate to only grow rice if they would be able to support their families with FT rice sales. Income thus seems to be the most important driver for these farmers to involve in FT, in this way contradicting the literature that mentions benefits of capacity building as more important. However, as these organizations only obtained FT certification in 2010, it might be early for the FOs to feel the more long-term development outcomes for their organizations and the benefits this brings.

However, the subject of this improved income is also the most debated one, as only a small part of the rice is actually sold to Col-

ruyt under FT conditions (725 FCFA/kg) while the local market, although more flexible, pays only the local price of 500FCFA/kg long-grain rice (Atomabe 14/08/2012; VECO, 2011). As such, FT sales do not permit to make a very big difference in the farmer's revenue (Atomabe 14/08/2012; Azagnandji 14/08/2012). This effect is especially strong since FT certification costs are high and weigh on the potential economical benefit. Although the initial cost for certification have been subsidized in this case, three-yearly audits again represent a high cost for the FOs. The two Beninese rice FOs will face this cost in 2013 and are already trying to find solutions in order to minimize the impact on their organizations. Currently, the two FOs are meeting to discuss their fusion in order to only have to pay the costs once (Azagnandji 14/08/2012). Furthermore, the FOs in collaboration with the UCR and FLO-CERT are looking for alternative FT buyers besides Colruyt, but so far without result (Atomabe 14/08/2012). Another possibility to increase the farmers' margin is to bypass the importer Boost Nutrition in the chain now that the capacity for transformation and packaging of the rice is available within Benin in the government rice factory in Glazoué. Since Boost Nutrition had been involved for service provision in sorting out rice impurities and packaging (see also section 3.4), and the government factory now offers the same technical possibilities locally in Benin, this is an interesting evolution (Atomabe 14/08/2012; Azagnandji 14/08/2012). In any case it is obvious that the limited FT market the FOs still face today is a huge challenge in the project and will also have its effect on up/outscaling of the project in order to have more farmers benefiting from the whole package of FT benefits (Atomabe 14/08/2012; Azagnandji 14/08/2012; Etekpou 14/03/2012).

3.3 Colruyt

Colruyt is a Belgian family company that ranks as top retailer in Belgium¹⁷. The Colruyt Group employed 24.119 people in 2011,

¹⁷ See <http://www.retail-index.com>

working towards its mission to "together create sustainable added-value through value-driven craftsmanship in retail" (Colruyt, 2011). The discount supermarket chain is the main business within the Colruyt Group.

Colruyt's Collibri Foundation for Education provides financial support to a number of educational projects in the South. Colruyt established the Collibri Foundation for Education as a way to enter the development field, originally planning to run projects themselves. They were quick to learn that the field of development requires specialist expertise and entered into partnerships with NGOs such as VECO for execution of and guidance on the projects it finances (Colruyt 12/03/2012). As stated on its website¹⁸, the Colruyt group offers financial support to several training and education projects in the South as they strongly believe that education and training are key issues for development. The Collibri projects are funded through the sales of Collibri products, recognizable from the logo on the package, of which 5% of sale price goes to the fund. The Collibri Foundation has been supporting the VECO FT pilot project on rice quality in Benin since 2006.

The Collibri Foundation's core philosophy, somewhat adjusted to accommodate the rice project, summarizes as "Trade & Educate" (Colruyt 12/03/2012). By trading and carrying out various commercial activities, they finance and re-enforce the educational development activities, and as they do, more commercial opportunities should arise. However, we note that only in the long grain rice case is Colruyt directly involved in the supply chain of the product. The other Collibri products seemingly have no connection with the projects within the Collibri Foundation. According to Colruyt (12/03/2012) the Collibri label does not guarantee where a product comes from, but rather that a part of the revenues flow back into development projects.

¹⁸ Information on Colruyt's Collibri Foundation for Education can be found at <http://www.collibrifoundation.com>

3.3.1 Colruyt's view on FT

Colruyt's main aim is to promote entrepreneurship and innovation and their long-term vision is to be able to offer sustainable products in their supermarkets as they feel this will be a necessity on the long-term taking into account issues such as resource scarcity, energy scarcity and food security issues (Colruyt 12/03/2012), that will oblige every economical actor to reduce their impact. In fact, for Colruyt the long-term vision is working towards mainstreaming sustainability issues in product sourcing and marketing, on economical, environmental and social level and they believe that in their ideal world sustainable products should actually be the cheaper products on the shelves (Colruyt 09/07/2012). Colruyt's mission indeed reads "sustainable added value in a cost-effective way" (Colruyt, 2011).

This challenge is complex and Colruyt does not believe that one specific label or system will provide the answer. FT takes its place in this vision as just one of the possible leads in the search towards solutions for these sustainability issues, contributing to the learning process, just as Rainforest Alliance, FSC (Forest Stewardship Council) and other (Colruyt 09/07/2012). Labels are for Colruyt also a way to present sustainable products to conscious consumers.

Colruyt does follow the vision of VECO in the belief that the FT system can provide a framework to guide farmers and FOs in their development. However, FT brings a certain alternative market mechanism, with its minimum price for example, that they not necessarily believe to be an unflawed system.

The FT system in Colruyt's view does provide opportunity to learn about sustainable supply chains and relationships between stakeholders (Colruyt 09/07/2012). This is important in their more long-term vision and search towards inclusion of sustainability issues in their purchasing policy. By involving in these projects, Colruyt wants to open and contribute to the discussion on sustainability and how the private sector can contribute (Colruyt 12/03/2012).

3.3.2 Why and how Colruyt contributes to the project

Colruyt already worked together with VECO by funding a project in Indonesia when VECO proposed to work on the rice project in Benin. Although the Benin project is not a typical Collibri project focused on youth education, since relations between Colruyt and VECO were good, Colruyt agreed nonetheless to support the project in the hopes that farmers' situation could improve through education. At first this support was financial, but in 2006 the FT pilot project was set up in which Colruyt also offered its expertise on product quality and marketing, and committed to sell a symbolic quantity of the Beninese rice in their supermarkets in Belgium (Colruyt 12/03/2012; VECO 19/03/2012). In return, Colruyt could learn from the experience with VECO acting as a “supply chain coach” about small farmer inclusion and sustainable supply chains (Colruyt 12/03/2012).

Without a doubt however, part of a company's motivation to involve in projects on development and sustainability is its topicality. Consumers now to a certain extent expect businesses to engage in these activities and assume their corporate social responsibility. While typically in the western or more specific Anglo-Saxon perception social and economic affairs are perceived as two very distinct realms, nowadays social concerns are being rediscovered, translating in the concept of CSR (Blowfield & Frynas, 2005). For Colruyt, even if sustainability concerns are part of the company's values, the main stakeholder understandingly remains their customers as they are their “licence to operate” (Colruyt, 12/03/2012 and 09/07/2012).

Since Colruyt is more focused on education, their contribution centered on practical training about rice quality and storage, for example when they received two Beninese in an exchange visit, and by giving feedback in the process leading up to the choice of rice variety and the further quality requirements in order to obtain FT certification. They still also support the project financially through the

Collibri Foundation for Education and additional donations, for an amount totalling €30 000 per year (Colruyt 12/03/2012). In cooperation with Boost Nutrition (see below) they also package the rice to sell it in their supermarkets. The latter proved to be quite a challenge and big efforts had to be made, including repackaging the rice into the more popular one-portion-bags, in order to market the rice to the consumers. However, this works and currently the rice has been sold out while Colruyt awaits the most recent rice shipment (Colruyt 09/07/2012). This is obviously positive news for the farmers that are struggling with the problem of limited FT sales volumes as discussed above, while Colruyt states to “sell the rice as long as it sells” (being still a business having to keep in mind economic return) (Colruyt 12/03/2012).

3.3.3 Colruyt's relationship with other actors

Colruyt is mainly active in this project through VECO, who acts as the middleman, or facilitator (Colruyt 12/03/2012). The farmers interviewed confirmed that communication with Colruyt systematically goes through VECOS' local office in Benin and headquarters in Leuven (Etekpo 14/03/2012). Colruyt's direct communication with the farmers is therefore mostly symbolic, the relationship being more long-distance, limited to a pair of exchange visits. The logic behind this, from the viewpoint of Colruyt, is that they need an easily accessible contact point that follows up at local level, knows the situation on the ground, keeps the overview and can coordinate a solution when unexpected or problematic situations arise. For Colruyt, VECO is this communication channel between them and the actual project in Benin (Colruyt 09/07/2012). From the interview, it became apparent that Colruyt was under the impression that no central contact point existed in Benin to order the rice, although in reality this exists in the capacity of the UCR Savalou. When this was pointed out, it became apparent that Colruyt supports the creation of more direct contact between them as rice purchaser and the FOs because

they feel it is important in the farmers' learning process that the relationship would evolve towards a normal commercial relationship as soon as the FOs develop to the appropriate level of capacity in management of trade relations (Colruyt 09/07/2012). On a shorter term however, Colruyt would also like to get more information directly from the farmers as they would like to introduce a focus on youth education in the project to make it more fit the vision of their Collibri fund, should they be able to identify a practical need on the ground.

Indeed, as mentioned on the section about VECO, the NGO is open to discuss this topic and its potential applicability in the project but will not itself get involved in the area of youth education as they have no expertise on nor mission in this matter, so if Colruyt is to introduce this, they will have to find other partners for that particular theme. This specific discussion between Colruyt and VECO shows however that Colruyt does not dominate the relationship with the NGO as could be feared from a large company funding a small NGO, but they act as equal partners, trying to balance their views and expectations of the collaboration through open dialogue.

In summary, taking into account the information gathered in the interviews with Colruyt, Vredeseilanden, FOs and others, it seems that Colruyt does make efforts to engage stakeholders in their decision making process. With their Collibri label, they are actively involved in a number educational and trade projects in order to improve farmers' positions. With Vredeseilanden specifically, they have worked and work together on several projects. Nevertheless, there is no communication or negotiation directly with the farmers' organisations, this is rather an indirect process via the NGO. From this analysis it is clear that it is partly but not only the interest of the farmers that counts in their considerations, but also their own corporate interest and vision. Based on the described framework and our analyses of Colruyt's interests and perspectives, and using Greenwood's (2007) model on stakeholder engagement (see Illustration 5),

we could generally situate Colruyt's efforts around the border of the strategic area 'G' with the corporate social responsibility area 'A' as there are elements of both present. Of course, Colruyt being a commercial entity, there is no surprise nor shame in the fact that strategic considerations play a role. Moreover they do seem to be making efforts to genuinely engage with different stakeholders as well as subscribed in their company values. As is also clear from the analysis, VECO's presence also plays a role in this as a coalition partner for beneficiary groups to move up the ladder of stakeholder salience in the eyes of the company (see section 2.2.4.3).

3.3.4 Colruyt's view on the results of the FT project

For Colruyt the project would be successful when the FO will be able to operate independently in the conventional market. They see the project as a way for the farmers to learn and build up their capacity to do this (Colruyt 09/07/2012). Although the farmers already have come a long way, Colruyt wants to support them in the longer term in this learning process, as the project develops and changes to focus on the basis of the farmers' needs. As long as the farmers perceive the advantages of producing FT and selling to Colruyt, they will continue to support the FOs by buying the rice and giving feedback for product quality improvement (Colruyt 09/07/2012).

Colruyt also intended to learn from this experience about incorporating more sustainability into their overall purchasing policy. At the level of Colruyt this type of projects indeed has sparked a corporate dynamics in a structural way, with now a full-time employee working on sustainable sourcing, performing social audits for their suppliers, and many other Colruyt employees at the level of sourcing and retail being inspired by the theme and searching for the ideal combination of sustainability and cost effectiveness for a number of products (Colruyt 09/07/2012). Important lessons learned from the Benin project however, are mostly linked to the balance between the

sustainability of the supply chain and the saleability of the product. Before getting involved in this project, more time should have been taken in order to research the presentation of the product taking into account consumer preferences, for example the type of product (white rice or parboiled), the type of packaging (in bulk or in one-portion bags), the product's price (balance between FT's inherent extra cost and keeping similar prices as the national brands). After all a similar collaboration would not make sense if the product would not sell to Colruyt's customers.

Nevertheless, Colruyt does not only try to cater to its customers' expectations, they also want to educate the customer and raise awareness on issues of sustainability and trying to persuade them to try these products and experience that they can be affordable, qualitative and tasty. In order to do this, Colruyt finances advertisement in their folders and in the supermarket itself such as showing a video about the product, as well as special promotions on the rice to keep the price comparable to national brands. In this way, they represent what Schmelzer (2009, p.25), talking about FT efficiency, describes as “[...] other retailers, by selling FT products at the same prices as conventional products, have shown the way to increase the market share of FT and to decrease exclusion on the side of consumers.”

3.4 Boost Nutrition

Boost Nutrition is a major rice mill in Belgium and is part of the Spanish group Ebro Foods specialized in rice and pasta. Ebro Foods is the biggest rice producer in Europe and owns a couple of production sites as well as rice mills such as Boost Nutrition in Belgium. The company produces the BOSTO rice, but also has an important activity in supplying private brands and industrial sales. As such they are producers and not 'marketeters'. Boost Nutrition hence does not actively look for other opportunities to market FT rice, and is not involved with other NGOs for FT projects, but they do communicate

their obtained FLO certification to possibly interested clients (Boost Nutrition 08/08/2012).

Boost Nutrition got involved in the Benin FT pilot project via BOSTO as Colruyt is an important client of the brand. Colruyt in this capacity requested Boost Nutrition, having much expertise in the matter, to import the Beninese rice, sort out the impurities and package it, primarily under the heading of service delivery (Boost Nutrition 08/08/2012).

As Boost Nutrition is a quality standards certified company, they nonetheless also had to make sure that their supplier, in this case the Beninese rice FOs, complied to the principles of HACCP (Hazard Analysis and Critical Control Points). To obtain this guarantee, two representatives of the FOs came to them for a training about rice processing with the ultimate goal of importing a rice ready for packaging (Boost Nutrition 08/08/2012). This turned out not to be possible in the end due to unavailability of the technological capacity in Benin at that time, but the goodwill of Boost Nutrition to search for solutions for the project did play a crucial role in helping to ensure that quality requirements could be reached for imports of rice from Benin to Belgium (VECO, 2011).

However, with the government rice processing facility in Glazoué, Benin, being operational and fully equipped to sort out impurities (previously done by hand in Benin), it is to be expected that Boost Nutrition will soon not be needed anymore as a partner to provide additional treatment of the rice in Belgium. Colruyt did indicate that if the Beninese rice would be of a quality ready for packaging, they would be able to handle it directly through their processing facility in Ghislenghien (Colruyt 09/07/2012). This evolution offers prospects for the farmers to increase their margins, as discussed above.

3.5 FLO / FLO-CERT

FLO was created in 1997 as a coordinating organization for FT certification, while FLO-CERT was created in 2004 as an independent organization in charge of inspection and certification of FOs and the auditing of traders (Fairtrade Foundation, n.d. – b).

The view of the organization on FT is clearly expressed through the definition of FT as a “trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade” and that “contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South” (FINE, 2001, p.1). One of the basic principles is to promote long term improvements in the economic and social opportunities of small producers and in the environmental practices of their organizations (FINE, 2001). They thus believe strongly in the potential development effects of FT, mostly based on strengthening the FOs through capacity building.

According to the definition, the Fairtrade organizations are engaged actively in supporting producers. In this case, the Benin project got a grant from FLO's Producer Certification Fund to help cover the initial certification costs (Azagnandji 14/08/2012). Currently, FLO-CERT also supports the Beninese rice FOs in order to find an alternative outlet for their FT rice, unfortunately still without result (Atomabe 14/08/2012). As these aspects are the main challenges to marginalized producers to benefit from FT trade opportunities, it would have been interesting to learn more about FLO and FLO-CERTS view on and efforts for the inclusion of small-scale farmers and small FOs that do not yet comply to basic FT requirements, their view on the role of NGOs and retailers in the issue, as well as to know more about their specific engagement with the two Beninese certified rice FOs. Unfortunately, the organization does not give interviews to individual students or researchers and in this way it was not possible to obtain more specific information on the topic,

while their website also does not seem to contain specific information on the issue. Critics however seem to stress the 'exclusionary force of FT' in which the poorest smallholder farmers, most in need of the opportunity, are excluded from the system with its elaborate requirements to comply to before obtaining certification (as discussed above).

4• Discussion

Based on the important elements for FT to work for development that are discussed in the above section of the same name, we will now cover some lessons learned from this case study regarding the potential of FT to really work for development where it would be most needed.

4.1 Balancing costs and benefits is key to FT development potential

The biggest contentious point has to do with FT efficiency of improving farmers' income and hence livelihoods for their families. Critics of FT would say that FT with its better prices encourages oversupply and monocultures, keeping people poor and decreasing risk diversification for farmers (Griffiths, 2012; Sidwell, 2008). Bezençon's (2009) ATO case study clearly mentions the environmental benefits when small-scale farmers are involved that do not produce intensively and grow diverse crops in crop rotations, preventing diseases and the abundant use of pesticides or chemical fertilizers.

Indeed in the case of Beninese rice, the farmers do farm several crops but it is indicated that they do this exactly because they cannot sell enough rice at FT price conditions, not giving them another choice than to grow other crops as well to support their livelihoods. With this limited market for FT the costs related to certification seem to stand in problematic proportion to the price gain. This raises of course questions as to where the balance lies between producing FT and gaining enough benefits through scale, and keeping a small-holder approach to farming with practices such as crop diversification and crop rotation, reducing environmental and economic risks.

In the case study, the actors are trying to optimize the farmers' margin by searching for solutions in which to partly avoid the high certification costs, trying to create a maximum of added-value for the benefit of the FOs by involving in processing, packaging and marketing, and by finding possibilities for selling larger quantities under FT conditions. An important factor on which they can not have a direct influence however, are the FT certification costs, which by looking at the literature and examining this case study seem to play an important role in whether FT can be a balanced opportunity for small FOs.

Where FT does seem to have a good potential to serve as an incentive framework to learn and to build capacity in FOs that is more widely applicable¹⁹, the cost-benefit analysis will determine whether or not this potential will be able to have actual impact in the lower developed regions. As said it was not possible to get more detailed information from FLO or FLO-CERT regarding their vision on and efforts to address the problem of small-scale farmer/FO inclusion. NGOs wanting to endeavor in the exercise should take prior caution on this aspect that can have an important influence on up/outscaling possibilities, as we can see from the VECO project.

4.2 An honest commitment beyond FT trading conditions, and synergies with NGO support advance small-farmer interests

People sometimes joke that in order to get a loan, one first has to prove to the bank that he or she doesn't need it. When thinking about FT in the context of a poorly developed country where farmers' or-

¹⁹ In this context Ruben et al. (2003, p.785) find strong learning effects in the early stage of FT involvement that reinforce bargaining power and they cite Becchetti and Constantino that register positive initial but clearly non-linear lifecycle effect with declining marginal return over a longer time span. This indicates that indeed FT could serve as an initial framework providing capacity building incentives.

ganization is still in its infancy and processing capacity is low, we might consider a similar perspective where in order to get FT certification, FOs have to prove that they already have capacity to deliver a product complying to international food quality and safety standards and to trade in the international market, especially in the FLO-led system that uses mainstream distribution channel. Bezençon (2009) points out that in the ATO-led system, the ATO accompanies the FO in improving their production methods and workings while this kind of support is not per definition available in the FLO-led FT system (see section 2.1.3.1).

However, as Dankers (2003) proposes and this case study indicates, development cooperation, in this case in the capacity of NGO support and FT can be mutually beneficial. It seems important though that not only the NGO is present, but that the mainstream retailer that commits to buying the FT good is also genuinely on board in the partnership. In the case study, the NGO, apart from making it financially possible for the FOs to up their infrastructural capacity to what is needed to produce FT product quality and coaching the FOs in the process, plays an important role in coordinating the different actors towards the shared objective of serving the farmers' interests in the project. Indeed, consistent with Mitchell et al's theory on stakeholder involvement, an NGO can play role as a coalition partner for beneficiary groups to move up the ladder of stakeholder salience (see section 2.2.4.3).

It does seem equally important though that the retailer as is Colruyt, has an honest commitment towards the same cause and goes somewhat beyond the triple trade condition of fair price, pre-financing and the more long-term commitment prescribed by the FT principles. Indeed, in order for a company to act responsible in Greenwood's meaning of the word (see section 2.2.4.3), the company not only has to involve stakeholders such as their smallholder FO rice supplier, but also genuinely take into account, it is to say advance, their position. Colruyt does include this in their company values and

made/makes a contribution both financially and with its technical expertise, to the benefit of the project and its beneficiaries. This type of goodwill has been important in the relationships between the actors in the project and the obtention of the results seen up until now, consistent with Tallontire's characterization of a trading partnership as needing a shared understanding of the problem or issue and its context, shared objectives, mutual commitment to the partnership, a distinct or unique contribution, and mutual trust (as cited in Schmelzer, 2006, p.28), which is broader than current FT requirements about trade conditions.

5• Conclusion

Much has been written about FT, but this work wanted to explore the in the literature somewhat less attended question of the local development potential of FT and the important factors in play to obtain these, focusing at farmer/FO level. FINE (2001) indeed subscribes in its FT principles that it wants to contribute to sustainable development by offering better trade conditions and promoting long-term improvements in the economic and social opportunities for small-holder farmers and wageworkers. The underlying hypothesis in this seems to be that the process of engaging in FT is important in itself at the local level, in terms of capacity building, and not only the financial aspect of the export of the commodity, an aspect of which the impact could continue beyond the continuation of FT sales by the concerned FOs.

The available literature on FT impact does seem to confirm the importance of capacity building effects for the FOs and farmers. However, there are some contentious issues about FT efficiency and inclusion of marginalized farmers, especially with the evolution towards FT mainstreaming. One might make the analogy with taking a loan by saying that when you want to benefit from FT, the challenge is to first proof you don't need it as compliance to the FT standards means you already have an organization basically capable to find its way in the market.

To explore the possibility to use of FT as a development tool at local level in the light of these issues, and especially to try and identify some important factors playing into this potential to be able to obtain these effects and offset the above remarks, the case study of rice in Benin was taken as a basis for reflection – a project designed to use FT as a framework for capacity building in order to improve

farmers' position on the national or regional markets. As the approach was exploratory and the obtained information remains anecdotal, the results of it should be interpreted as leads of reflection and not as factual statements. Nonetheless from the case study, some elements were identified that seem to be key in making FT work for development at the level of marginalized farmers, where their organization is still in its infancy.

First of all, a big challenge seems to be the balance between being able to sell enough produce under FT price conditions to make paying the high certification costs worthwhile, but at the same time also safeguarding the characteristics of smallholder agriculture with its diversification, crop combination and rotation, important for risk spreading and environmental sustainability.

Secondly, in the FT mainstream model in which the buyer is a commercial company, there seems to be an important role for development organizations such as NGOs in multiple ways. Development cooperation and FT are mutually interlinked; for marginalized farmers the support from an NGO can be crucial in working towards compliance to FT standards in order to be able to apply for certification for their FO. As coordinator and facilitator between the different actors, they also have a role in safeguarding the farmers' and FO's interests when a commercial retailer is involved, giving even a more mainstream distribution setup and 'ATO'-like touch in which the farmers are genuinely taken into account by the company.

An NGO indeed can play the role of guardian for a stakeholder that depends on that to balance out the power in the relationship towards a company, following Mitchell et al.'s (1997) stakeholder typology. However, in order for such a development/FT partnership to work on a more structural level, the company's internal values to include these stakeholders' interests in their decision making are also important, as a real partnership that can be inclusive towards marginalized producers requires to go beyond the FT conditions of

offering the FT price, pre-financing and a more longer term trading relation - something that is also exemplified in the Benin case study.

In summary, it is clear that although FT has the potential to serve as a learning-by-doing type of capacity building framework, in order for FT to really be suited as a development tool and trade opportunity for marginalized farmers there are still challenges to be overcome regarding FOs' initial development level vis-a-vis FT minimum standards, the FT certification fee, the size of the FT market for the product and power relations between the trade partners. If it is indeed the intention for the FT system to serve as such, then in order to address these concerns, there is a need for inclusion initiatives and responsibility to be taken at different levels in the FT production and distribution system including FLO/FLO-CERT and mainstream retail. The presence of an NGO can to a certain extent mitigate this inclusion gap as well.

6 • Appendices

Appendix 1: Explanatory table of Greenwood's (2007) model on stakeholder engagement

	Title	Stakeholder engagement	Stakeholder agency	Relationship between stakeholder engagement and stakeholder agency
A	Responsibility (traditional corporate social responsibility)	Comprehensive engagement of stakeholders	Acts in the interest of legitimate stakeholder	Optimal level of engagement with optimal level number of stakeholders, enhancing responsibility.
B	Anti-capitalism	Excessive engagement with stakeholders	Acts in the interest of all stakeholder including illegitimate	Participation of so many (including illegitimate) stakeholders that the purpose of the firm is compromised.
C	Limited Paternalism	Little stakeholder engagement as determined by the company	Acts in the interest of legitimate stakeholder as determined by the company	Acting in the perceived interest of the stakeholders with limited consultation
D	Strong Paternalism	No stakeholder engagement as determined by the company	Acts in the interest of legitimate stakeholder as determined by the company	Acting in the perceived interest of the stakeholders without consultation to the point of interference and reduction of liberty.
E	Market	Little stakeholder engagement in response to market demand	Does not act in the interest of legitimate stakeholders	Low engagement to further the interests of the owners. Organisation and stakeholders as economic entities
F	Illegal (outside the	No stakeholder engagement as deter-	Does not act in the interest of	Agents act in their or principals interests either ille-

	boundary of the law or accepted custom)	mined by agents in control of the company	legitimate stakeholder	gally or outside moral minimum norms. Could include fraud, theft, and abuse of human rights.
G	Reputation/ Legitimacy	Engaging with legitimate stakeholders to further shareholder interests.	Appears to act in the interest of all stakeholders	Engaging stakeholders enhances strategic alignment, reputation and legitimacy with stakeholders.
H	Irresponsibility (bad faith)	Excessive engagement without accountability or responsibility towards stakeholders	Appears to act in the interest of only influential stakeholders	Engaging with stakeholders under deceptive conditions, acting "as if" the aim is to meet stakeholders' interests.

Appendix 2: Overview of Bezençon's (2009) propositions regarding similarities and differences between FLO- and ATO-led systems

Category		FLO-ATO common	FLO specific	ATO specific	
E P r o d u c e r s o m n i c a l	Pr o d u c e r s	+	<ul style="list-style-type: none"> • Increase of revenues (DP, Ron, MRT) • Pre-financing and access to credit as source of stability (MRT) 		
		-		<ul style="list-style-type: none"> • Lack of participation in FLO governance (MRT) 	
	Pr o d u c e r o r g a n i z a t i o n s	+	<ul style="list-style-type: none"> • Access to training leading to product quality improvement (DP, MRT, Ron) • Diversification of services (MRT) • Capacity building through the premium (Ron) • Improved market position (Ron) • Increased credibility (MRT) 	<ul style="list-style-type: none"> • Period of apprenticeship in marketing (MRT) • Stability and financial security of organizations (DP, MRT) 	<ul style="list-style-type: none"> • More flexible for value-creating activities under Fair Trade conditions • Export assistance (real partnership)
		-		<ul style="list-style-type: none"> • Certification does not mean market access (MRT) 	<ul style="list-style-type: none"> • Too much reliance on the partnership • No financial autonomy
	Co m m u n i t y	+	<ul style="list-style-type: none"> • Employment creation (MRT) 	<ul style="list-style-type: none"> • The FLO system allows many more producers to participate in Fair Trade 	
	S P r o d u c e r s i n a l	+	<ul style="list-style-type: none"> • Increased self-esteem linked to social gratitude (DP, MRT) • Increased sense of confidence and security (Ron) 		<ul style="list-style-type: none"> • Producers are more considered with a tight partnership

	-		<ul style="list-style-type: none"> • Low awareness of Fair Trade (DP, Ron) 	
Producers organizations	+	<ul style="list-style-type: none"> • Support for the organizational capacity of producers (MRT) 		<ul style="list-style-type: none"> • Small size allows increased participation
	-		<ul style="list-style-type: none"> • Depersonalization of the producer–consumer link (MRT) 	<ul style="list-style-type: none"> • Paradox of democracy
Community	+	<ul style="list-style-type: none"> • Development of networking and coordination among producers (MRT) • Educational funds (Ron) • Increased solidarity among members (Ron) • Training/projects in alternative money-making activities (MRT) 	<ul style="list-style-type: none"> • Political institutionalization (DP) 	<ul style="list-style-type: none"> • Gives a chance to extremely marginalized producers
	-	<ul style="list-style-type: none"> • Female participation in coffee cultivation is significant, but their role in decision-making is low (Ron, MRT) • Elite group of producers (MRT) 		<ul style="list-style-type: none"> • Although mentioned by DP also, paternalism is a stronger issue with tight partnership
Environmental	+	<ul style="list-style-type: none"> • Premiums help to create funds on environment-related issues (education, promotion, production, etc.) (Ron) • Improved conservation of soils and water management (MRT) 		<ul style="list-style-type: none"> • Use of special techniques such as companion planting not possible with intensive cultivation
DP = Diaz Pedregal (2006); Ron = Ronchi (2002); MRT = Murray et al. (2003); '+' = benefits; '-' = problems.				

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