POWER RELATIONS AND FAIRTRADE IN COCOA AND COTTON VALUE CHAINS IN THE UK, GHANA AND INDIA

PAVLOS TROULIS

THESIS SUBMITTED IN FULFILMENT OF THE REQUIREMENTS OF THE DEGREE OF DOCTOR OF PHILOSOPHY

DEVELOPMENT PLANNING UNIT, UCL

JUNE 2016

I, Pavlos Troulis, confirm that the work presented in this thesis is my own. Where information has been derived from other sources, I confirm that this has been indicated in the thesis.

Signed: Pavlos Troulis

ABSTRACT

This thesis explores the extent to which Fairtrade (FT) might lead to a systemic shift in the way power relations are embedded and exercised in the international trading system. In doing so, it utilises power relations by positioning FT in the context of the world-systems theory, whilst arguing that FT’s ‘‘mainstreaming’’, top-down approach, principle implementation and scale have proven inadequate in modifying the international trading system.

As such, by focusing on value chain ‘‘governance as power’’ (through its ‘‘buyer-driven’’ structure) and ‘‘governance as coordination’’, we highlight FT’s lack of systemic appreciation through its orientation towards only farming and consumer level by working solely with big brands. In parallel, we employ power analyses of some feminist authors in order to provide a bottom-up and horizontal dimension, which enables us to further advance the importance of FT’s farmer organisation and empowerment. As such, pursuing a qualitative approach, we use four FT GVCs as case studies: Two of them in Ghana-UK for cocoa-chocolate, in Kuapa Kokoo-Divine and Cocoa Life-Mondelez, and two in India-UK for cotton-apparel, in Chetna Organic-No Nasties and Agrocel-M&S.

On this basis, our empirical findings aren’t favorable for FT’s contribution to systemic change. FT is used as a marketing tool by Mondelez and M&S, whilst leading to the dilution of FT principles and jeopardising FTI’s sustainability. FT has often proven irrelevant and ineffective due to strong government intervention, but also because of the market and governance structure advanced by TNCs. Thus, we argue that FT needs to consider going back to its fair trade roots and work with nation states instead of TNCs, whilst trying to replicate Kuapa Kokoo and Chetna as success cases, that went ‘‘beyond FT’’ through farmer ownership, forward integration, women empowerment and strong democratic processes, in order to achieve meaningful farmer empowerment and organisation in the long-run.

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

List of Abbreviations

AGM – Annual General Meeting

APFCGA – Agrocel Pure & Fair Cotton Growers' Association

ATOs – Alternative Trade Organisations

BASIC – Bureau d'Analyse Sociétale pour une Information Citoyenne

BCI – Better Cotton Initiative

CCI – Cotton Corporation of India

CCP – Cadbury Cocoa Partnership

CEN – European Committee for Standardisation

CEO – Chief Executive Officer

CMC – Cocoa Marketing Company

COAPCL – Chetna's Organic Agricultural Producer Company Limited

COFA – Chetna Organic Famers Association

CORIP – Cocoa Rehabilitation and Intensification Programme

CPC – Cocoa Processing Company

CSR – Corporate Social Responsibility

DFID – Department for International Development

EFTA – European Fair trade Association

FAO – Food & Agriculture Organisation

FINE – Based on the first letters of FLO-Cert, IFAT, NEWS and EFTA

FLO – Fairtrade Labelling Organisation

FLO-Cert – Fairtrade Labelling Organisation Certification

FOB – Free on Board

FT – Fairtrade

FTI – Fairtrade International

FTOs – Fair trade organisations

FTSE – Fairtrade Social Enterprises

FX – Foreign Exchange

GDP – Gross Domestic Product

GM – Genetically modified

GVC – Global Value Chain (s)

ICCO – International Cocoa Organisation

IDS – Institute of Development Studies

IFAT – International Federation for Alternative Trade

INGOs – International Non-governmental Organisations

INR – Indian Rupees

ISO – International Organisation for Standardisation

KPIs – Key Performance Indicators

LBC – Local Buying Company

M&S – Marks and Spencer

MDG – Millennium Development Goals

MP – Member of Parliament

MSP – Minimum Support Price

NEWS – Network of European World Shops

NGOs – Non-governmental organisations

PBC – Produce Buying Company

QCD – Quality Control Division

RA – Rainforest Alliance

RCML – Rajlakshmi Cotton Mills Private Limited

SAP – Structural Adjustment Programmes

SPO – Small Producer Organisation

SSI – State of Sustainability Initiatives

STCP – Sustainable Tree Crops Programme

TNCs – Transnational corporations

UK – United Kingdom

UNCTAD – United Nations Conference on Trade and Development

UNIDO – United Nations Industrial Development Organisation

US – Unites States

USD – United States Dollar

WCF – World Cocoa Foundation

ACKNOWLEDGEMENTS

It would have been impossible to complete this research without the support of many wonderful people.

Firstly, I would like to thank my supervisor Dr. Michael Walls, for his phenomenal mentoring and guidance throughout the process. It was Michael’s questions and intellect that influenced me and this piece of work and I owe him an enormous debt of gratitude for helping me develop this over the past five years. I’d also like to acknowledge Michael’s role in understanding ‘‘the bigger picture’’ of undertaking a part-time PhD whilst working and thank him for his enormous patience and encouragement.

Special thanks must be given to Richard Jemmett and Npower, who made it possible for me to undertake this PhD whilst working through sponsoring me and giving me time off in order to fulfill my course requirements. I’d also like to thank Richard for standing up for me and supporting the commitment to my PhD funding under difficult circumstances. This has helped enormously as I was able to focus on my research without worrying too much about the financial pressure.

As with all research, the process of collecting primary data is key. For this reason, special thanks go to Kafui Koranteng and Riyaz Shaikh who were my ‘‘guardian angels’’ in Ghana and India. Not only they have managed to get me access to key interviewees under tight timeframes, but they have also helped me understand the content and context of my research better. A warm thank you for your professionalism and for making my stay in both countries unforgettable. Last, but not least, I would like to thank all of my interviewees in the UK, Ghana and India who shared their experiences and knowledge with me, that made this research ‘‘richer’’.

Finally, I would like to thank my brilliant family, friends, PhD peers and girlfriend who stood by me in every possible way and for never letting me give up.

CHAPTER 1 – INTRODUCTION

The link between markets and international development has been analysed extensively since the rise of neoliberalism in the early 1980s. Scholte (2005) explained that neoliberalism rests on two main premises. ‘‘Economism’’ advances that economic analysis prevails above all other understandings of globalisation. As such, other approaches, including political, cultural, ecological and psychological, are approached as functions of, and subordinate to, economics. Neoliberalism also relies on ‘‘marketism’’, advanced by laissez-faire market economics. According to these, the global economy should be a free and open market, in which production, exchange and consumption of resources takes place through the forces of supply and demand, as a result of uninhibited interactions of firms and households in the private sector. In this context, the role of the public sector in the economic sphere is to enable rather than to do. In turn, these two premises are materialised through the policies of privatisation, liberalisation and deregulation.

In this vein, Tiffen (2002) illustrated by referring to the structural adjustment programmes (SAPs) implemented in the 1980s, along with Ghana’s cocoa sector partial liberalisation in 1993, which we have provided an overview of during chapter 4. SAPs in Ghana were the result of a strong push for free-market reforms, which however posed significant barriers to the development of pro-poor commercial institutions within the liberalised commodity sectors, such as the lack of rural credit, the end of legitimate support for farmers, along with poor roads and infrastructure (ibid). Similarly, Devaraja (2011) outlined the emergence of the organised spinning sector in India facilitated by the Government’s policies that involved liberalisation of trade and industrial delicensing in the 1990s.

In this context of neoliberal policies, Edward and Tallontire (2009) suggested that the use of the voluntary activities of business and the market, the original ‘‘invisible hand’’, to promote development objectives, has become particularly popular the past two to three decades. This has been widely manifested in the extension of corporate social responsibility (CSR) as a tool for development, the role of business in achieving the Millennium Development Goals (MDGs), as well as micro-finance and the idea of the ‘‘bottom of the pyramid’’. This has been founded upon the belief that because of the ‘‘invisible hand’’ of the market, businesses become efficient organisations for delivering social benefits. This has been contrasted to the perceived failures and inefficiencies of traditional bureaucratic state and institution-led approaches to development.

1.1 FAIR TRADE AND FAIRTRADE (FT)

In light of this, various specific business practices and market-based tools such as labour codes of practice, eco-labels and fair trade to promote sustainable development in the context of the supply chain, have emerged (ibid). As we explain in detail in chapter 2, when referring to fair trade we need to distinguish between the fair trade movement and the fair trade network, as well as fair trade (two words) and Fairtrade (one word). Influenced by dependency theory and Prebisch's and Singer's work on the declining terms of trade, the fair trade movement was trying to combat unfair commodity prices and emphasise developing alternatives to the existing system through international market regulation with the nation-state as a primary agent in development. In turn, the fair trade network was part of a broader and unofficial fair trade movement and was influenced by it. Up to 1970s, the fair trade network focused on connecting peasants, workers, and craftspeople in the South with partners in the North through a system of rules and principles (Fridell, 2004; 2006).

Nonetheless, the fair trade network deviated from the fair trade movement in the 1980s (Fridell, 2006). Fridell (2004) suggested that the fair trade network chose to attain developmental gains within the existing trading system through transnational corporations (TNCs) and non-governmental organisations (NGOs), instead of insisting on the nation-state as a primary agent in development and an alternative to existing international trading system. As part of this, Shreck (2005) emphasised the emergence of Fairtrade labelling initiatives, whereby goods are certified as ''Fairtrade'' by Fairtrade umbrella organisations if they are exchanged under the terms of a minimum guaranteed price, a premium and are produced in line with the principles of democratic organisation, no utilisation of child labour, recognized trade unions for workers, and environmental sustainability (Fridell, 2004).

On this note, Fairtrade International (2015) suggested that the term ''Fairtrade'' (one word), which is the focus of this research, is used to describe the certification and labelling system governed by Fairtrade International (FTI). The Fairtrade (FT) system allows consumers to identify goods that have met internationally agreed Fairtrade Standards by looking for the FAIRTRADE (FT) Marks on products. On the other hand, the term fair trade (two words) is used to refer to the fair trade movement as a whole and the organisations that are part of it, including both labelled and unlabeled goods[1].

[1] See page 9 for fair trade and Fairtrade (FT) abbreviations and their meaning.

Building on this, the FT labelling initiative that Shreck (2005) and Fridell (2004) referred to above is the one managed by FTI. This was driven by the desire to increase the size of fair trade markets, which were too small to meet the needs of the certified partner, along with neoliberal reforms that reduced national and international market regulation by states and advanced market-driven visions of fair trade based on nonbinding, voluntarist commitments from private corporations (Renard, 2003; Fridell, 2006). As such, whilst many authors view the contemporary fair trade network (after its shift from the fair trade movement) articulated through FT labelling, as an innovative challenge to neoliberalism and view the growth of FT sales as a small yet important victory in the struggle against deregulation and social spending cuts imposed by neoliberal reformers, this is not the case (Fridell, 2004).

1.2 Power Relations

In order to explain why this is not the case, we have utilised a specific conceptualisation of power relations. This has been chosen on the basis that it's important to highlight the macroeconomic relations and mechanisms that underpin neoliberalism's ''marketism'' and its microeconomic focus on the abstraction of supply and demand. To this end, Fridell (2006) suggested that the effect of neoliberal globalisation and ultimately Fairtrade's impact is to stress microeconomic adjustment rather than confronting highly unequal macroeconomic relations of power. Similarly, whilst Barratt Brown (1997) referred to liberalisation as another tool for exploitation by entrenched interests, he emphasised that ''*the market place is not a bad place, only the inequality of power in the market. The market is bad because of unequal power in it*'' (ibid; p.271). As such, the issue is not market activity per se, but the power of capital in the market (ibid). Also, as we have examined in detail through the section on Fairtrade and our findings, Fairtrade explicitly talks about power through its vision and the FT standard on farmer organisation and empowerment.

To this end, we have defined and ''operationalised'' power relations in chapter 2 through drawing from literature on world-systems theory, power analyses of some feminist authors and the Global Value Chain (GVC) analytical framework. As such, world-systems theory is an adaptation of dependency theory, which-as we mentioned earlier-has influenced the fair trade movement and network before the 1980s. Nonetheless, power relations were put in the centre of world-systems theory's global systemic approach, as McMichael (2000; p.669) suggested that *''development was now posited as a systemic process, where core-periphery relations were the real development dynamic and core states were outcomes, rather than units, of development*'' (ibid; p.669). In highlighting this process and power relations, Wallerstein (1995) made special mention to the primacy of capital accumulation along with the mechanisms that would allow this, such as, production networks, state and interstate structures and geoculture.

Building on Wallerstein's and world-systems theory's reference to production networks, the Global Value Chain (GVC) specified that due to globalisation, trade has been taking place increasingly in sub-components and services (Kaplinsky, 2000). Whilst the GVC perspective is an effective means to articulate and explain the functional integration between internationally dispersed activities (Humphrey and Schmitz, 2001), Gereffi et al. (2001) have stressed the importance of focusing on the lead agents of the value chains-the multinational enterprises, and how chains are organised and managed through the concept of governance. To this end, we have utilised ''governance as power'' (with its distinct governance structures: ''buyer-driven'' and ''producer-driven'') as the cornerstone of our analytical framework and overlaid ''governance as coordination'' to add further analytical rigor in order to reflect the distinct governance features between each node of the chain. As such, ''governance as power'' was defined through ''*the authority and power relationships that determine how financial, material and human resources are allocated and flow within a chain*'' (Gereffi, 1994; p.215). In parallel, ''governance as coordination'' was articulated through the description of five discreet governance structures: markets, modular, relational, captive, and hierarchy (Gereffi et al., 2005; Gereffi and Fernandez-Stark, 2011).

But, whilst world-systems theory and GVC focus on the structure of international trade and position power relations within the remit of lead buyers and their suppliers within the vertical dimension of the chain, others noted that there is also a horizontal dimension of power (Tallontire et.al, 2009). On this note, Gibbon et al. (2008) highlighted the influence of certain external actors (those not directly supplying a product or service) that could have an impact in how a chain is governed, such as government bodies or civil society organisations. To this end, building on the horizontal dimension of power, we have utilised power analyses of some feminist authors in order to highlight the influence of external actors. This has taken place without focusing on gender, albeit in a ''gender-aware'' manner. Also, whilst world-systems theory and GVC analysis emphasise on the top-down structure, ''power-over'' and ''role of the other'' (e.g. lead TNCs on buyer-driven chains) dimensions, these power analyses provide a bottom-up view whereby power can be seen as empowerment. The focus on bottom-up empowerment is also in line with Fairtrade's focus on farmer empowerment and organisation, hence these power analyses have enabled us to explore this thoroughly. This notion of empowerment further highlights the need to include the political dimension as part of our analytical building blocks.

To this end, building on the previous discussion on Fairtrade and power relations as well as our empirical findings, four important themes have emerged as ‘‘building blocks’’, which we used in order to structure our empirical findings. These are:

1. Sustainability – Driven by FT’s ‘‘mainstreaming’’ and working with TNCs. This was further enhanced by our fieldwork, whereby the concept of corporate sustainability was often mentioned in relation to FT’s mainstreaming and the sustainability of Fairtrade International.

2. Political – Driven by the strong role of the nation state as a mechanism that enables capital accumulation as per Wallerstein and FT’s notion of empowerment we outlined earlier. This dimension was also further enhanced through our fieldwork whereby we were constantly being reminded of the strong role of the state and politics across our case studies.

3. ‘‘Buyer-driven’’ – Articulated by the power that TNCs exercise and derived from GVC’s ‘‘governance as power’’ concept.

4. Chain Relations and Coordination – Demonstrated by the types of governance structures we earlier outlined through GVC’s ‘‘governance as coordination’’ concept.

1.3 Research Aims & Questions

In this context, this research focuses on Fairtrade’s (FT) role in systemically affecting the way that power relations are embedded and exercised in the international trading system, as articulated through the theoretical underpinning of the world-systems theory and the analytical lenses of the GVC approach and power analyses of some feminist authors. We earlier mentioned that in the 1980s the fair trade network shifted away from the fair trade movement, which was influenced by theories like dependency theory that advocated systemic change and highlighted the systemic inequalities and power imbalances prevalent in the international trading system between developed and developing countries. Whilst these theories were further developed and took shape in world-systems theory and the GVC analysis, the fair trade network moved away from this thinking and repositioned itself as a market-based mechanism driven by the neoliberal doctrine that has intensified since the 1980s. As such, the focus shifted away from state-driven development to working within the existing international trading system and its agents-the TNCs and NGOs. This has been embodied in FTI’s labelling, whereby TNCs and other fair trade organisations (FTOs) or FTSEs can voluntarily carry the FT label on their products in exchange for fulfilling FTI’s standards we mentioned earlier.

As such, our focus has been FT as articulated by Fairtrade International and its labelling. We have, however, examined this in the context of the fair trade movement and body of theory that the fair trade network was influenced by before the 1980s, along with the world-systems theory and GVC analysis. Utilising world-systems theory has allowed us to examine to what extent Fairtrade has affected the world-systems' primary drive for allowing and defending capital accumulation, or how has it changed the role of States in allowing and defending this capital accumulation (Wallerstein, 1995). Through the GVC analysis, we have researched the role of FT in relation to the power exercised by lead TNCs along the ''buyer-driven'' value chains, as well as how has FT been implemented by FTOs and TNCs in their respective FT value chains, including the resulting changes in power relations and governance structures between nodes of the GVC (Gereffi, 1994; Gereffi et al., 2005; Gereffi and Fernandez-Stark, 2011). But, in order to understand FT's systemic impact in shifting embedded power relations that led to an uneven market place, we had to compare the power dimensions in the FT value chains to the ones in the conventional GVCs.

Beyond the vertical dimension of power, we have employed power analyses of some feminist authors in order to further assess FT's potential of structural shift in the embedded power relations through its standard on farmer empowerment. In parallel, we aimed to understand the differences between the notion of empowerment across the FTO and TNC FT GVCs, as well as the contribution of FT in marginalised farmers and other groups, like women. Furthermore, we aimed to understand the impact of civil society, state and other organisations on the value chain power relations and, in specific, the role that FTI's decisions and business model have had on FTOs, TNCs and vice versa.

As such, our research aims have been addressed at multiple levels and primarily at GVC macro-chain level, as the main unit of analysis. Following this, we have examined the FT organisational level (through Fairtrade International), FT principle level (through the FT standards), and GVC level (including micro-level through the power relations between nodes of the GVC) through the implementation of the FT standards, and other initiatives beyond them, as undertaken by FTOs and TNCs in their respective chains.

To this end, the overarching research question is:

To what extent does Fairtrade (FT) lead to a systemic shift in the way power relations are embedded and exercised in the international trading system?

This has been further operationalised into the following four main research questions:

1. How does Fairtrade's ''mainstreaming'' relate to TNCs corporate sustainability and what are the implications for Fairtrade International's organisational sustainability?
2. How does Fairtrade shift the power held by nation states over the lives of farmers?
3. How does Fairtrade affect the power mechanisms that lead TNCs utilise in ''buyer-driven'' GVCs?
4. To what extent and in what way has Fairtrade changed the nature of governance relationships between GVC nodes?

1.4 METHODOLOGY

As the research aims and questions indicate, the focus of this research has been in exploring and explaining power relations at multiple levels within the GVC, but also between influencing organisations, like nation states, TNCs and FTI, and the GVC in question. This called for a qualitative approach that aimed to probe for depth and requires a sensitive approach (Tallontire, 1999). In light of this and our goal which has been to synthesise theory through empirical evidence gathered by narratives from our interviewees[2] mainly through semi-structured interviews, we selected the case study methodology. As a result, we have decided to use four case studies (FT GVCs), in order to enhance the explanatory power of our theory and make this research more ''generalisable'' through providing a robust and varied basis of empirical evidence.

To this end, we have utilised Seawright and Gerring's (2008) diverse case through selecting our cases according to the variance within the FT chain/product, FT organisation, and geography dimensions. Therefore, we firstly selected two conventional GVCs that comprised our context: the cocoa-chocolate (non-industrial) value chain between the UK and Ghana and the cotton-apparel value chain between the UK and India. Following this, we picked two FT GVCs for cocoa-chocolate in Kuapa Kokoo-Divine and Cocoa Life-Mondelez, and two for cotton-apparel in Chetna Organic-No Nasties and Agrocel-M&S.

In relation to the FT chain/product dimension, by selecting cocoa and cotton, variance has been achieved on the basis of the FT sales and growth performance (cocoa/chocolate-high sales and growth-unlike cotton), stage of product lifecycle within FT (cocoa/chocolate established, whilst cotton has been more recent), and type of product through covering both food (cocoa/chocolate) and non-food (cotton/apparel) products. Also, in relation to the type of FT organisation, for the

[2] See appendix 1 for the list of our interviewees.

cotton-apparel FT GVCs, variance has been demonstrated on the basis of the profit (Agrocel) or development orientation (Chetna) at producer level and on the type of organisation (hybrid-No Nasties or profit-oriented business-M&S) on marketing level. Similarly, for the cocoa-chocolate FT GVC, variance is demonstrated through Divine (FT social enterprise) and Kuapa Kokoo (development-oriented producer organisation) against Mondelez (profit-oriented business) and a newly formed Cocoa Life cooperative (profit-oriented producer organisation). On the same note, geographical variance has been achieved by selecting Ghana and India.

1.5 Thesis Outline

To this end, chapter 2 provides a review of the structure of the international trading system through world-systems theory. We do so by articulating the systemic approach and focus on power relations, whilst examining the agents and mechanisms through which the drive for capital accumulation is fulfilled. Following this, we provide a review of the literature on fair trade and Fairtrade through explaining their roots, vision, definition and FT principles, followed by a brief discussion on the main themes related to FT's impact, as well as a discussion on strategic matters, such as FT's ''mainstreaming''. Then, drawing on world-systems' body of theory, the discussion on power and the structure of the international trading is elaborated and further operationalised through focusing on lead TNCs and the key GVC concepts, ''governance as power'' and ''governance as coordination''. Having examined the vertical and top-down dimension of power, we then examine the bottom-up and horizontal view of power through power analyses from some feminist authors that finalise our analytical framework. In turn, we discuss key principles from some feminist authors that informed and shaped our research design, data collection and analysis.

To this end, chapter 3 firstly looks at our research philosophy as articulated by a predominantly ''objective'' articulation of Critical Realism, which entails a qualification of our hypotheses through empirical analysis and narratives. Following this, we explain our goal to synthesise theory through this research, whilst presenting our research design based on Feminist Grounded Theory and a qualitative approach based on a multiple case study design. Then, we outline our methods for collecting data. Building on this, chapter 4 provides an overview of our four case studies whilst explaining the unit of analysis, outlining the research questions and articulating the rationale for selecting the specific cases.

Following the operationalisation of this research, chapters 5 and 6 present our empirical findings structured according to the four themes that emerged through our theory and analytical framework: a. Sustainability, b. Political, c. ‘‘Buyer-driven’’ and, d. Chain relations and coordination. We first describe the conventional and FT cocoa and cotton chains between the UK, Ghana and India respectively. The analysis proceeds with an examination of corporate and FT sustainability, whilst the next section examines Fairtrade though a political angle. In turn, Fairtrade is assessed in relation to the power that lead TNCs exercise in their respective ‘‘buyer-driven’’ chains, and then through the governance structure between each node of their chains. Finally, chapter 7 concludes whilst providing the implications of this research.

Chapter 2 – Literature Review & Analytical Framework

This chapter aims to demonstrate the structure and mechanisms that comprise the international trading system through the world-systems theory. In doing so, the power imbalances which are embedded in the international trading system, and which FT seeks to address, are highlighted. In this context, we emphasise Fairtrade's market-driven approach, which is based on voluntary commitments from consumers, TNCs and NGOs. Through linking and contrasting Fairtrade to the international trading system's power structures and its FT movement roots, as well as outlining FT's vision, principles and on-the ground impact, we highlight the disconnect between FT's vision of modifying the existing international trading system and its ''mainstreaming'' approach.

In order to achieve this, we have utilised the lenses of power relations which form a common thread across the literature on Fairtrade, world-systems theory, the GVC approach and power analyses of some feminist authors. To this end, the GVC analytical framework operationalises the concept of power and illustrates the way through which power imbalances and capital accumulation take place, whilst highlighting the leading role of TNCs that FT has chosen to work with. Lastly, this chapter refines the GVC analytical framework though examining power analyses from some feminist authors that concentrate on the horizontal and bottom-up power relations that FT has also focused on through farmer empowerment and organisation.

2.1 World-systems Theory

In order to examine the extent that FT has effected systemic shift in the way power relations are embedded and exercised in the international trading system, we will need to first review the structure of the international trading system. To this end, world-systems theory has mapped and explained the structure of the international trading system through a top-down global perspective of the power relations, agents (nation state, TNCs) and mechanisms (production networks, unequal exchange) through which its primary drive of capital accumulation is achieved.

As such, this section begins with a brief overview of world-systems theory's roots underpinned by their main systemic focus and analytical angle on power relations. Following this, we examine some of its definitions, as well as the main trends. Lastly, we conclude with the institutional structure and arrangements that have allowed and defended capital accumulation, such as the production networks, the state and interstate structures and the geoculture.

2.1.1 Background & Approach

World-systems theory was initially conceptualised by Wallerstein and was later expanded, among others, by theorists like Chase-Dunn and Hall. The Journal of World-systems Research has been the main ‘‘vehicle’’ to communicate the intellectual advancements of this theory. Similarly to the influence on the fair trade movement, dependency theory also provided a major intellectual building block for world-systems theory. On this note, Cardoso (1972), a prominent dependency theory author, referred to ‘dependent capitalist development’ to describe the relationship between imperialist and dependent nations, which is based on multinational corporations. According to this form of dependency, foreign investment in dependent countries has moved away from raw materials and agriculture to the industrial sector, forming new patterns of economic ownership comprised by local state, private and international capital. Consequently, there occurs a kind of ‘dependent capitalist development’, caveated by the fact that countries tied to international capitalism by that type of linkage remain economically dep endent, since the technology is still concentrated in advanced capitalist economies and the multinational corporations. Also, statistics demonstrate that dependent economies are exporting capital to the dominant economies and despite controls and limits by dependent governments, multinational corporations found an alternative way to send returns abroad-through payments for licences and patents for their technology. Furthermore, Cardoso stressed the political implications of this form of dependence: internal fragmentation and dualism, deriving from the fact that part of the national bourgeoisie is the direct beneficiary of the foreign interest, unlike the backward economic and social sectors (ibid).

UNCTAD researchers have adopted this thinking and further developed it. For example, UNCTAD (1997) elaborated on the important role TNCs play in developing countries through foreign direct investment, whilst highlighting the importance of regulatory mechanisms and appropriate competition policies as means to mitigate lack of technology, capital and know-how transfer, as well as high concentration and anti-competitive practices. In the context of the asymmetries between developed and developing countries in global economic and trade governance, UNCTAD (2006) criticised the constraints of national policy autonomy as a result of market-oriented reforms and the liberalisation of trade and international trade agreements. Furthermore, UNCTAD (2007) focused on the development role of transnational corporations in developing countries’ extractive industries, while UNCTAD (2011) emphasised the broadening range of production and investment models, such as contract farming (as we will later see in chapter 6), outsourcing, franchising and licensing. Finally, UNCTAD (2013) dealt with maximizing the benefits and minimizing the risks associated with global value chains in order to ensure more inclusive growth and sustainable development, whilst UNCTAD (2015) debated options for international tax and investment policy reforms especially in light of TNC tax avoidance practices.

In this context, Chirot and Hall (1982) asserted that world-systems theory is in most ways a North American adaptation of dependency theory, however, we argue below that it is much more sophisticated. Chirot and Hall (1982) further highlighted dependency theory's focus on TNCs and industrialisation based on import substitution in the most advanced Latin American countries, which has created new forms of dependence and sociopolitical imbalances. They further underlined Wallerstein's contribution in advancing this analysis through rejecting the analysis of individual societies in isolation and focusing on powerful transnational forces through a global perspective.

World-systems theory's sophistication derives from its emphasis on systems that consequently highlighted the power dynamic FT was referring to earlier between the North and the South. Although we will provide a tangible example of a system through our Global Value Chain (GVC) analytical framework later in the chapter, a working definition from Bertalanffy (1956; p.3) defined system as ''*a set of elements standing in interaction*''. As such, building on Chirot and Hall (1982) view, McMichael (2000) outlined dependency theory's shortcomings through Wallerstein's utilisation of world-systems as a broader analytical unit. By positing a broader analytical unit, world-systems analysis was able to accommodate the phenomenon of the New Industrial Countries and explain the shortcomings of national developmentalism. Development was now articulated as a systemic process, in which core-periphery power relations were the real development dynamic and core states were outcomes, rather than units, of development (ibid). Chase-Dunn and Grimes (1995) agreed that world-systems theory emerged in the 1970s, at the right time to illustrate that national development could only be understood contextually through the global nature of economic networks linked into one integrated unit: the modern world system.

2.1.2 Definition & Main Features

This brings up the question regarding the definition of world-systems. In defining the modern world-systems, Wallerstein (1974) stated that a world-system is a multicultural territorial division of labor in which the production and exchange of basic goods and raw materials is necessary for the everyday life of its inhabitants. Dunn and Hall (1993; p.855) proposed a general definition of world-systems to facilitate comparisons among very different intersocietal networks (including small world systems). They defined world-systems as ''*intersocietal networks in which the interactions (e.g., trade, warfare, inter-marriage) are important for the reproduction of the internal structures of the composite units and importantly affect changes that occur in these local structures*''. In this way, they separated the world-systems concept from the existence of states and core/periphery relations. Others highlighted that networks of the exchange of prestige or luxury goods should also be included in Wallersteins's world-systems definition as they are important for the reproduction of local social structures (Chase-Dunn and Grimes, 1995).

Wallerstein (1995) contended that the modern world-systems have two main features: An axial division of labor whose effective "stretch" defines its boundaries, and that it functions by means of a mixture of cyclical rhythms and secular trends. Importantly, he carried on asserting that the primacy of the drive for the accumulation of capital differentiates the modern world-systems from all other historical systems. The primacy of the drive for capital accumulation is an important point and reoccurring theme during our empirical analysis mainly in relation to FT's ''mainstreaming''. As we argue in detail during our empirical analysis, FT's attempt to systemically shift power relations within the international trading system was often severely limited by the system's drive for capital accumulation. On that note, Chase-Dunn and Grimes (1995) outlined the following major trends (some of which we will examine below in more detail) in the modern world system:

- **Population** – Fertility is mainly affected by economic factors. As a result, in the core states, state-subsidised education, pensions and wage scales that made possible the support of children by their parents and the support of people at old age (without the need to have children to rely on for support), have removed the economic incentive to have large families. But in the periphery, the semi-proletarianised, semi-peasant coerced work-force sustains the high value of children as valuable economic assets and continues to provide a motivation for high rates of fertility.
- **Technological Change** – Technological change has also accelerated in modern capitalism while the social effects of this change have been ignored due to the profit-seeking objectives of the firms.
- **Commodification –** It refers to the assignment of a market price to an increasing number of outputs of human activity, like products or services.
- **Proletarianisation and Capital Intensity –** The wage relation between employers and employees is widespread. This has meshed with, and powered, the drive towards faster technological change. The overall pattern has been the displacement of labor by machinery.
- **Increasing Firm Size** – The largest firms have grown in the last 200 years by every measure (e.g. geographic footprint, turnover). This ''monopoly'' sector is characterised by a small number of huge firms, which has changed the face of modern capitalism most obviously in the realm of international trade. This is in line with our empirical analysis, especially through the high concentration at cocoa processing/trading and branding level.

- **State Formation** – Although this has not been consistent when considering the era of neo-liberalism, Chase-Dunn and Grimes (1995) claimed that the power of states over the lives of their citizens has expanded since the beginning of the first nation states. This expansion has taken on two forms: a geographical expansion of the power of the central government ever further away from the capital city, combined with a deepening of its power over the daily life of its citizens. To this end, we will examine the role of the state in detail during our empirical analysis and the ''power over'' conception and alternative articulations of power as expressed by some feminist authors later in this chapter.

It should be noted that there are limits to each of these trends. For example, technological change often relies on energy sources that are finite. The increasing use of fossil fuels, which is the major cause of global warming, will lead to a great number of human losses threatening in this way the viability of the entire world-systems. Similarly, commodification requires the equal expansion of the ability to pay. This is also in line with our empirical analysis on FT certified garments, in which we will see that consumers significantly reduced their spending on FT garments during recession in the UK as a result of the premium attached to FT garments. The authors claim that recessions are largely caused by the failure of the working classes to consume an adequate volume of the products created by their own work (due to inadequate salaries and or automation). As such, each ceiling has the potential to throw the modern capitalist world-economy into acute crisis or systemic collapse (ibid). Different cycle phases either accelerate or retard trend developments, and each cycle acts along its own time-scale. The sum of the respective influences of all of these cycles and trends affects the trajectory of our future. Chase-Dunn and Grimes (1995) and Kitchin (1923) presented the following most important cycles:

- **Minor/Kitchin cycle –** Kitchin (1923) suggested that they last approximately 3 years, they are inventory related and are the result of a rhythmical movement due to psychological causes or excess or deficiency in crops. Korotayev (2010) explained firms' psychological reaction to the improvement of the commercial situation by increasing output. As a result, the market gets flooded with excess commodities, which in turn leads to demand decline, price drop and the consequent decision to reduce output. This process is accompanied by significant time lags between each decision and its implementation.
- **Juglar –** Chase-Dunn and Grimes (1995) also referred to it as the "normal" or "classic" business cycle and suggest it last for 7-10 years. The main driver of this cycle is the average life span of capital equipment.

- **Kuznet –** They usually span over 20-25 years and their timing is a reflection of a cyclical pattern of reinvestment.
- **Kondratieff –** The main argument is that every 40-60 years factories, means of production, communication, and transport tend to be rebuilt incorporating new technologies (ibid).

2.1.3 Institutional Features

The trends we have just described have not taken place in an institutional vacuum. Instead, Wallerstein (1995) made special mention to the institutional structure and arrangements that have allowed and defended capital accumulation over 500 years. He grouped these arrangements under three broad headings: production networks; the state and interstate structures; and the geoculture.

1. **Production Networks –** There are five mechanisms through which the accumulation of capital is allowed: commodification (as seen earlier); the multiplicity of modes of labor control; commodity chains; unequal exchange between core and periphery; and the group of monopolising non-specialised capitalists. The modes of labor control refer to the semi proletarian household and other inbuilt mechanisms by which the demands of workers for increased compensation can be restrained. In such households, the wages paid to members engaged in wage-labor activities are reduced because the household supplements this income with other income-generating activities. As a result, employing persons located in such households not only reduces the wage bills of the employers but also transfers part of the other surplus accumulated by the household to the enterprise via the subsidisation of the enterprise's below-par wages.

We will discuss commodity/value chains in greater detail in the GVC section, but it is useful to highlight the initial articulation of the concept by Wallerstein (1995). These chains consist of different units which can be structured in different ways and may differ in themselves from one point in time to another. The individual units of the chain include a degree of geographic dispersion of the producing enterprises, a degree of overall monopolisation of production, different modes of labor control, degree of ownership and a degree of profitability. This is in line with our empirical analysis, which will highlight, for example, different profitability in various nodes of the conventional chain, as well as varying degree of ownership and monopolisation or oligopolisation of nodes of the chain by TNCs and nation states. Such commodity chains permit us to describe the axial division of labor as a core/periphery phenomenon in which unequal exchange is a major mechanism of surplus transfer and concentration. In essence, the core/periphery concept refers to the relation between relatively monopolised units versus relatively competitive units, which is a high profit/low profit, high wage/low wage antinomy. This has been reflected empirically as a spatial phenomenon, whereby core-like activities tend to be concentrated in a few core countries and peripheral activities tend to be concentrated in most of the rest. Finally, the group of monopolising non-specialized capitalists refers to great accumulators who remain non-specialised, and engage in all kinds of operations simultaneously in order to maintain high overall levels of profit.

2. **State and interstate structures –** The accumulation of capital also depends upon the ability to defend its concentration both against predators and against the demands of the workers that have produced it. As such, sovereign states not only defend monopolising capitalists politically from working classes, but also protect them against competitors. The creation of strong states in the core ensured that states in the periphery would not become strong enough to interfere with the process of the worldwide accumulation of capital (Wallerstein, 1995). To this end, we will later explore in detail the role of the Ghanaian, Indian Government and foreign national governments in protecting the interests of their industries, for example, the hauliers which fund political parties in Ghana, the vertically integrated garment manufacturers in India, and the cocoa processing industry in the Netherlands. In return for providing a strong refuge for their property and advancing their interests in the world-systems, the strong core states require a higher level of taxation from the monopolising capitalists as a protection cost. However, the establishment of the liberal state ensures internal order and protection at a lower cost.

On the other hand, inter-capitalist competition has an impact on the state and interstate structures. Any political mechanism that aids the maintenance of particular monopolising efforts represents an obstacle for its non-beneficiaries, which they will seek to overcome for example by asking for more ''laissez-faire'', support to protectionism in core states and calls against it in others. The greatest impact though is the fall and rise of hegemonies because of the self-destructing nature of hegemonies due to the rising cost of protecting monopolising capitalists (ibid).

3. **Geoculture –** In this context, Wallerstein (1995) argued that the active opposition to the protection of monopolising capitalists (TNCs) by the state and interstate structures exercised by oppressed strata is a constant of the modern world-systems. The pressure of working strata tended to push wage levels slowly upward, which led to the need to seek out working strata ready to work at lower income levels. This was one of the main factors behind the repeated geographic expansion of the modern world-systems. The constant opposition was coherently and formally

expressed in late nineteenth century demanding normal change and popular sovereignty, posing in this way a threat to the stability of the world-systems and legitimating democracy. In response to these, a trinity of ideologies has emerged (conservatism, liberalism, and radicalism/socialism), each representing a different mode of coping with the normality of change and popular sovereignty (ibid). In this context, FTI, TNCs involved in FT and FTOs have been trying to empower farmers in the South through the principle of democratic organisation, but the type of empowerment that resulted out of this process has been either questionable or too niche in order to effect true change, as we will argue later during the empirical analysis.

2.2 Fair trade and Fairtrade (FT)

Fairtrade (one word), which is the focus of this research, has been developed as a solution in the context of the international trading system's structure and its resulting uneven power relations, as articulated by the world-systems theory. Neo-liberal reforms that advanced market-driven approaches to development shaped Fairtrade (FT) into a market-driven tool based on voluntary commitments from consumers, TNCs and NGOs.

To this end, this section begins with a brief overview of FT's roots with emphasis on fair trade network's significant shift away from fair trade and the fair trade movement through the consequent emergence of FT labelling. Following this, we examine some of fair trade's and Fairtrade's key features, such as definition, vision, principles, organisations and the FT mark. Lastly, we conclude with the key themes that highlight FT's impact and strategic direction.

2.2.1 Background

When describing the history of fair trade it is essential to distinguish between the fair trade movement and the fair trade network, as well as fair trade (two words) and Fairtrade (one word). This is critical as it shows the transition from a state-led notion of development (articulated by fair trade, two words) to a market-based mechanism (articulated through Fairtrade, one word). Fridell (2004) explained that the fair trade network and FT have been part of a broader and unofficial fair trade (two words) movement and were influenced by it. The origins of the fair trade movement can be traced in attempts to control international commodity markets from 1918 to 1939 as a reaction to combat the rapid decline in terms of trade in manufactures. The unofficial fair trade movement gained traction through Prebisch's and Singer's work on the declining terms of trade and dependency theory.

The fair trade network connects peasants, workers, and craftspeople in the South with partners in the North through a system of rules and principles. During this early phase (up to 1970s), it was heavily influenced by the fair trade movement. Thus, it was trying to combat unfair commodity prices, attain ''trade not aid'' and emphasised developing alternatives to the existing system (ibid). Renard (2003) emphasised that the fair trade network was predominantly aimed to find markets for the products of the underdeveloped countries in the North by creating a circuit parallel to large mainstream distribution through networks of specialty stores (world stores). Jaffee and Howard (2009) added that at its inception, the fair trade movement was centered on a fundamental critique of the structural injustice of global trade. With roots in development charities and radical solidarity NGOs in Europe and the U.S., the movement was initially characterized entirely by the Alternative

Trade Organization (ATO) model, in which goods from producer cooperatives are sold through non-profit organizations or ethical for-profit businesses.

Nonetheless, the fair trade network deviated from the fair trade movement. Fridell (2006) suggested that this strategic reorientation of the fair trade network marked a critical turning point in the history of fair trade the importance of which is not captured in most of the literature. The fair trade network's orientation changed significantly in the 1980s. Shreck (2005) indicated that although it took several months of discussion and strong resistance, the major shift was to rely on and work within large conventional circuits of distribution channels. The main drivers for this shift have been:

- Limitations of alternative trade as it existed at that time in resolving the problems of selling Third World products.
- The emergence of fair trade labelling initiatives, which were branded as ''Fairtrade'' (one word), and intended to create a reality within the market, instead of constructing an alternative outside the market.
- Change in the goals of the fair trade network as it sought to gain access to conventional markets that they hoped to reform. This was driven by the desire to increase the size of fair trade markets, which were too small to meet the needs of the certified partners, or to make a systemic difference, as we put to test in this thesis and demonstrate in our empirical analysis later.
- Neoliberal reforms that reduced national and international market regulation by states and advanced market-driven visions of fair trade based on nonbinding, voluntarist commitments from private corporations, articulated by FT labelling (Renard, 2003; Fridell, 2006).

This significant shift has led to great financial success and the fair trade network has seen unprecedented growth in the era of neoliberal globalisation (Fridell, 2006). Raynolds (2004) emphasised that fair trade has grown rapidly from its alternative trade organisation roots over the past 15 years predominantly as a result of Fairtrade's labelling. For example, the FT Foundation (2011) highlighted that UK sales of FT chocolate grew from £18m in 2005 to £343m in 2010. FLO (2004), quoted in ibid, states that the key to this successful strategy has been to get Fairtrade into the supermarkets where most people do their shopping. Nonetheless, as our empirical section indicates, growth has been uneven across products. So, whilst FT chocolate sales grew, FT labelled garments sales in 2012 have been reduced by 50% since their peak in 2008. But, despite FT's overall sales growth, Fridell (2006; p.11) argued that to:

''*gain the support of conventional partners fair traders have had to abandon their original vision of the network as an alternative trading system based on international market regulation in favour of a more moderate vision aimed at reforming the existing trading system on the basis of voluntary commitments from corporations and consumers*''.

This shift highlighted the departure from the nation state as a primary agent in development and away from a parallel trading network that, in the long run, aspires to be free from the pressures imposed by profit-driven transnationals. As we will later explain in our empirical analysis, this has not been achieved within the existing trading system, as FTI have been influenced by garment retailers and chocolate brands to, for example, abandon the traceability standard and the FT minimum price as they were too costly for them. Instead, most depict fair trade now as a market-based project articulated through Fairtrade (one word) aimed at attaining developmental gains within the existing trading system (ibid; Fridell, 2004). On this note, Bacon (2015) argued that although in the previous two decades smallholders, advocates, cooperatives and businesses collectivised power and used FT in an attempt to build a fairer and more sustainable market, there were arguments over the aspirational goals of FT between 2007 and 2011. These resulted in the separation of TransFair USA (FT USA) from Fairtrade International. As such, 'big tent' fair trade collapsed as social movement organisations and many smallholder cooperatives became disillusioned with the mainstreaming strategy and undemocratic governance structure common to Northern certification agencies, particularly FT USA.

2.2.2 KEY FEATURES

Having described the historically distinct phases of fair trade, it is useful to clarify that the alternative trade world stores have not disappeared, but they are still working under the concept of fair trade, together with Fairtrade labelling. All these organisations came together in 1998 under the informal umbrella group FINE (an acronym based on the first letters of FLO-Cert, IFAT, NEWS and EFTA) (Renard, 2003).

1. **Definition –** FINE established one single definition of fair trade (ibid): ''*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, marginalised producers and workers-especially in the South'' (Fairtrade Foundation, 2011).

Fairtrade International (2015) further suggested that the term ''Fairtrade'' (one word), which is the focus of this research, is used to describe the certification and labelling system governed by

Fairtrade International (FTI). The Fairtrade (FT) system allows consumers to identify goods that have met internationally agreed Fairtrade Standards by looking for the FAIRTRADE (FT) Marks on products. On the other hand, the term fair trade (two words) is used to refer to the fair trade movement as a whole and the organisations that are part of it. This includes both labelled and unlabeled goods and the work of alternative trade organizations, fair trade federations and other networks.

Although Tallontire (1999) presented a few more definitions, she argued that despite the differences, three themes appear to be common:

- Trade should benefit the primary producer of the commodity.
- Consumers have a role to play in making trade fair (through purchasing and paying a higher price for a primary commodity or an end product which contains a primary commodity, under the principles described below). Nonetheless, as we argue in our empirical analysis later, the role of consumers within FT needs to be questioned on the basis of the dilution of FT principles, profiteering across the value chain on the back of FT and the strategic importance of considering states and TNCs first in shaping solutions to make trade fairer.
- Fair trade is about advocacy as well as practical trading.

2. **Vision** – Moore (2004; p.2) suggested that fair trade has, in essence, two basic visions. ‘‘The first is to provide a working model of international *trade that makes a difference to the producers and consumers that engage in it. (..).* Renard, quoted in ibid, suggested that *‘‘the second and more radical is to challenge orthodoxy in business practice and to do so not simply by campaigning but by being a tool for modifying the dominant economic model*’’. Tallontire (1999) further argued that fair trade is a critique of conventional or unfair trade. She asserted that at a macro level, fair trade focuses on the concentration of economic and political power by the North in the hands of Northern institutions culminating in an uneven playing field for small scale producers in the South. At the micro level, it is concerned with the problems faced by small scale producers in the market place, whether they are land owners or waged labor. Whilst this has been fair trade’s vision, as we have seen earlier, fair trade network’s shift away from the fair trade movement has consequently signaled a departure away from the macro vision of fair trade. Also, our empirical analysis shows that FT’s focus on the macro level has been significantly toned down recently through FT’s theory of change, which acknowledged that the nature and extent of change

brought about by FT's interventions will depend on a range of contextual factors and that FT is not the sole determinant of change (Fairtrade International, 2013).

3. **Principles & Organisations –** Tallontire (1999) highlighted that fair trade can be considered both as a set of principles and as the organisations which implement these principles. This reflects what we will demonstrate in our empirical analysis later around the different implementation of the FT principles in FTO and TNCs FT GVCs. In terms of principles, the Fairtrade Labelling Organisation (FLO), quoted in Renard (2003), explained that carrying the Fairtrade label on products guarantees that the buyers agree to meet the following conditions:

- Direct purchase.
- A price paid to cooperatives that covers cost of production (FT minimum price) and a social premium (FT premium price).
- Advance payment or pre-finance in order to prevent small producer organisations from falling into debt.
- Contracts that allow long-term production planning and sustainable production practices.

The conditions for granting certification to the growers are:

- Small scale farmers can participate in a democratic organisation. Nonetheless, as we will see in our empirical analysis, FT cotton in India operates under contract production standards, which do not require the producer organisation to have a legal status at the start of the project.
- Plantation and factory workers can participate in trade union activities and have decent wages, housing and health and safety standards.
- No forced or child labor.
- Programs to improve environmental sustainability.

On this note, ICCO (2005) explained that the FT minimum price is calculated on the basis of world market prices, plus FT premiums. As such, the Fairtrade Foundation (2015) suggested that the FT minimum price for cocoa is $2,000 per tonne, with a $200 premium per tonne on top of that for farmers to invest in their businesses or local community. If the world market price rises above $2000 per tonne, the FT price will be the world market price plus $200 per tonne (ICCO, 2005). Similarly, the FT Foundation (2015) indicated that the FT cotton minimum price is set by region and variety and ranges from €0.66/kg in Kyrgyzstan to €0.39/kg in South Asia (including India). In parallel, producer organisations are paid an additional FT Premium of €0.05/kg to invest in business development and community and environmental projects chosen by their members. Similarly to cocoa, when the market price is higher than the FT Minimum Price, the buyer must pay the higher price.

In terms of organisations, as per table 1 below, there are six groups involved in fair trade:

Table 1: Fair trade groups & organisations

Fair trade Group	Description
1. Producer Organisations/ Promoting Bodies in Southern countries	• **Producer organisations** – These are usually cooperatives with smallholder farmers as members, and, as discussed above, they need to be democratically organised. They supply the commodity and, therefore, are the core of the Fairtrade labeling system. • **Promoting Bodies** – As we will see from our empirical section later, this group also includes promoting bodies like Agrocel Industries in India, which are more profit-oriented than producer organisations like Kuapa Kokoo or Chetna that are more development oriented. In relation to the scale limitations of FT, it should be highlighted that only a small proportion of total sales of these organisations takes place in FT terms.
2. Alternative Trade Organisations (ATOs)/Fair trade Organisations (FTOs)	• They actively participate in trading and other campaigning activities in varying degrees. Examples include Traidcraft, who trade and campaign, Oxfam who campaigns, and Twin Trading who trades and undertakes on-the ground development work. • The fair trade movement as normally understood has its origins amongst the ATOs, who, have been renamed FTOs as per the shift away from the alternative trading system we discussed earlier.
3. Fairtrade Organisations	• **Fairtrade International (FTI)** – Coordinates Fairtrade's work across the world by developing global Fairtrade strategy, setting international Fairtrade standards, and organising support for producers. • **FLO-Cert** – An independent company that runs the Fairtrade certification system by checking compliance with Fairtrade Standards. It ensures that the relevant social and environmental standards are met for the raw materials and products that carry the FAIRTRADE Mark and that producers receive the Fairtrade Minimum Price and Fairtrade Premium. • **Fairtrade Foundation** – An independent non-profit organisation that licenses use of the FAIRTRADE Mark on products in the UK in accordance with internationally agreed Fairtrade standards. Building a market for Fairtrade

	products is carried out by national Fairtrade organisations. The Fairtrade Foundation is one such member responsible for the UK.
4. Network & Umbrella Organisations	These organisations were established by ATOs/FTOs to facilitate cooperation and information flows. • **International Federation for Alternative Trade (IFAT)** – It is a worldwide membership organization that brings together both producers and buyers. It consists of approximately 110 producer organizations and 50 buying organisations. • **Network of European Shops (NEWS)** – Acts as the umbrella body for the ‘‘world shops’’ that retail predominantly fair trade goods across Europe. • **European Fair trade Association (EFTA)** – It is an association of 12 importing organisations in nine European countries.
5. Profit-oriented TNCs	• Conventional businesses that are, or make claims to be, involved in FT in some form. Retailers like M&S (through its Plan A), or branded manufacturers like Mondelez and Nestle.
6. Fairtrade Social Enterprises (FTSE)	• For example, Divine Chocolate UK or Cafedirect, which market solely 100% FT products.

Source: Adapted from Moore (2004), Huybrechts and Defourny (2010), FT Foundation (2015) and Oxford Policy Management and International Institute for Environment and Development (2000)

4. **FT Mark –** In exchange for meeting the conditions or FT principles we have mentioned earlier, the buyers get to carry the Fairtrade label on their FT certified products. This is associated with significant customer recognition and demand which translates into purchasing. Fairtrade International (2013) mentioned that 90% of consumers in five leading FT markets recognised the FT Mark. In particular, in the UK, customer recognition has been the highest with 96%. In parallel, across all 17 markets, over 60% of consumers trust the FT mark, whilst in the UK consumer trust has been the second highest with 89%. Table 2 summarises and illustrates further. This trend is likely to carry on going forward as well, as according to FTI (2014) 97% of 1000 teens aged 13 – 20 who were surveyed said that they see the FT Mark sometimes or often. To put this in respective, this was compared with 69% for the Rainforest Alliance logo and 41% for the Soil Association Organic label, making the FT mark the most widely recognised ethical label among UK teens. We will also later explain during our empirical analysis how customer recognition and trust were also translated into sales in FT chocolate.

Table 2: FT Mark-Consumer recognition and trust

FT Mark	17 Country Average	UK
Consumer Recognition	56%	96%
Consumer Trust	61%	89%

Source: FTI (2013)

2.2.3 KEY FT THEMES

Having presented a brief overview of fair trade and Fairtrade, we will now present the key themes often mentioned in our literature review in relation to Fairtrade's impact and strategic direction. These themes reflect a discussion on some of the key FT principles we have just presented and their on-the ground impact, as well as a discussion on FT's more strategic matters, such as the ''mainstreaming'' and FT's approach.

1. **FT Price, Premium and direct purchase** – Ronchi (2005) justified Fairtrade on the basis that it aims to increase the returns to producers, while FAO (2004) confirmed that farmers selling Fairtrade products tend to enjoy better market access and higher prices than conventional farmers. On the same note, Le Mare (2008), Imhof and Lee (2007) suggested that the FT price or wage have improved the economic position of the FT producers, whilst Raynolds (2004), based on seven FT coffee case studies, demonstrated that the clearest and most direct benefits are from the higher prices paid for FT coffee. Because the world coffee price has been below the FT minimum price, the impact on FT farmers has been substantial and sustained (ibid). Nonetheless, as we will see later in our empirical findings, the impact is highly dependent on the context. In particular, the market price of the crop, as well as government intervention on pricing, which resulted in a consistently higher price than the FT minimum price that in essence made the FT minimum price irrelevant. Despite this, FT certified farmers have benefited from the FT premiums.

On this note, Hopkins (2000), quoted in Imhof and Lee (2007), questioned whether the higher incomes from FT accrue directly to producers, arguing that they often are retained at the cooperative level. This, however, depends on the organisational structure of the cooperative. In relation to the FT premium distribution, our empirical findings will later demonstrate some variance. At a high level, the variance in our cases went from confirming Hopkin's challenge to further questioning and highlighting the top-down decision making process along with the lack of monitoring and enforcement around the use and distribution of the FT premiums. In relation to direct purchase, Oxfam (2002) argued that by purchasing cocoa direct from farmers' organisations, Fairtrade organisations bypass the local intermediaries or ''middlemen'' who often abuse their strong position. In stark contrast, our empirical analysis will later illustrate limited evidence of direct purchasing across our cases when considering the entire chain.

2. **Farmer Empowerment and capacity building** – Ronchi (2005) mentioned that another tool to achieve higher price is a range of development activities aimed at removing the factors that mark down producer prices for coffee such as the market power of coffee buyers. At the organisational/cooperative level, Le Mare (2008), Imhof and Lee (2007), emphasised improved institutional capacity and sustainability of commercial organisations. Raynolds (2002) and Conroy (2005), quoted in Baumann et al. (2010), argued that benefits of FT come from improvements in capacity building, technical expertise and market information. Lastly, Imhof and Lee (2007) highlighted access to credit at low rates and learning about the export process. As we will see later during our empirical findings, the overall impact of FT deriving from the farmer empowerment and capacity building angle, is ultimately being determined by the bottom-up or top-down approach pursued, the level of farmer ownership and representation.

3. **Pre-financing and long term commitment** – Doherty et al. (2013) suggested that long-term contracts are designed to ensure producers do not suffer from the effects of buyers' short-term bias. It's also the key FT principle which brought the most benefit to farmers because it provided the ability to plan and improve yield and production techniques. Despite these benefits, they have identified that contracts only extend for one growing season in practice, or are completely ignored by major retailers. To this end, our empirical analysis indicated mixed outcomes depending on the case and organisations involved, which we will examine in detail in the empirical findings.

In relation to pre-financing, Doherty et al. (2013) mentioned that it's critical because it allows producers to receive advance payment for their crop before export, enabling producer cooperatives to remain competitive against private traders. Despite this, pre-financing is not being overseen effectively and FTI have suspended the requirement for pre-financing. Following this, we have also not identified any evidence of crop pre-financing in our empirical analysis.

4. **Scale** – Despite the benefits we have already discussed, Oxfam (2002) suggested that FT prices are only available to a limited number of producers. The Fairtrade Foundation (2011; p.2) highlighted that ''*around 122,000 farmers from 62 producer organisations in 18 countries benefit from supplying FT cocoa*''. To put this into perspective, there are 5-6 million cocoa farmers worldwide, which illustrates that only 2-2.5% of the worldwide total cocoa farmers are FT certified

(World Cocoa Foundation, 2010). Similarly, Kuapa Kokoo ltd only sold 2,500 tonnes in FT terms to CMC, which is only a tiny fraction of the 35,000 tonnes it buys from the farmers who are members of Kuapa Kokoo's cooperative (Ryan, 2011). At the same time, FT assists one set of producers at the expense of others. While the minority will benefit from FT prices, the majority of non-FT smallholders in the export sector will suffer a fall in prices for their primary products. On top of this, the other FT benefits we described above are also likely to widen this gap further (Leclair, 2002).

Despite Leclair's argument, our empirical findings in Ghana showed that the non-FT cocoa farmers in Ghana did not suffer a fall in prices, as they were protected by the government's price that applies to all farmers, including the FT ones, as the FT minimum price has been consistently lower than the Government's price. FT's scale limitations have been verified, emphasised and will be further elaborated later during our empirical findings. This has taken place using different scale measures at various levels of the chain. For example, scale has been articulated through the number of FT certified farmers as a proportion of the total farmers, tonnes of FT certified cocoa/cotton bought as a proportion of the overall cocoa/cotton produced or purchased. These measures have been mapped at country production level, GVC brand/retailer level and cooperative level.

5. **Value Added/Upgrading –** Beyond the limited scale of FT, there is a more structural argument. Shreck (2005) criticised FT projects for not challenging paternalistic, often neo-colonial relations that support dependency through current patterns of trade in tropical agriculture commodities. Instead, FT attempts to make the trade patterns fairer under a socially and environmentally friendly guise that, in essence, reproduces the same patterns. On the same note, Leclair (2002) suggested that the emphasis of FT on traditional products can prolong the economic dependence of underdeveloped countries. In fact, Singer (1950) underlined that favorable prices for primary commodities especially if coupled by a rise in quantities sold might take away the incentive from underdeveloped countries to invest in their own industrial development. To this end, Ryan (2011) challenged FT and Divine Chocolate for not advancing solutions that entail diversification and growth of crops other than cocoa, which could arguably be more sustainable in the long term than simply paying farmers more for their cocoa beans. To illustrate, she highlighted that Divine's chocolate bar is made in Europe, which means that most of the value in the chocolate- the value added from beans to bar and then brand- is added outside Ghana.

To this end, based on our empirical analysis, we will also see later that both cocoa and cotton farmers across our cases were keen on the prospect of being part of FT, but partly, for the wrong motivation-the FT premium. Also, whilst at FT principle level, it is clear that FT does not in any way incorporate any provisions to add value, some of our cases attempted to add some value and diversify through going beyond the FT principles. This took place through forward integration, small scale diversification projects, the political empowerment of farmers and a bottom-up approach.

6. **Top-down approach** – However, the lack of focus on in country value added may be deriving from the people who came up with concept. FT has generally been perceived as a top-down approach when considering the reliance on purchasing of Northern customers, the FT conceptualisation from Northern activists, the definition that derived from FT organisations in Europe, the fact that Northern organisations decide what commodities to certify, which producer groups to work with, and finally, the reliance on Northern TNCs (Leclair 2002, Shreck 2005). As a result, the development context as well as other more systemic and structural elements have been omitted. To this end, Raynolds (2002) quoted in Le Mare (2008; p.11) highlighted that ''*there are many factors that influence the extent of the FT impact, such as global and national policies, the organisation and qualities of the FTOs, and the individual characteristics of producers*''. For example, Ryan (2011) emphasised that Kuapa Kokoo borrows money from the Ghanaian government in order to purchase the beans from the farmers. In turn, the government raises finance on the international markets to fund cocoa purchases.

In line with the literature, our empirical findings later indicate that FT has been perceived as ''one size fits all'' top-down certification, which imposes things that farmers already do, whilst disregarding key contextual conditions, such as the strong role of the Ghanaian and Indian governments and the role of corporate sustainability programmes by TNCs, among others. The top-down approach has been further magnified by the various ways that FT has been implemented in a couple of our cases, whereby productivity goals were prioritized over genuine farmer empowerment. As we also examine during our empirical analysis, although FT seems to acknowledge this through their theory of change, their top-down approach hasn't been adjusted accordingly.

7. **''Mainstreaming''** – Whilst Goodman et al (2011) have been critical of FT's shortcomings in meeting its vision, as a result of the powerful mainstreaming exerted by TNCs and the influence of neoliberalism, they've also argued that in some cases alternative economies have carved out

relatively independent positions. Similarly, Jaffee and Howard (2009) argued that FT needs to continue efforts at the margins to strengthen and/or protect the FT standards/principles, that have been weakened significantly by mainstreaming, corporate power and their goal to accumulate capital. On this note, Fridell (2006) argued that the FT network does not seek to overturn the power of TNCs like Starbucks Coffee, Procter and Gamble and Mars, who have been responsible for structuring an unequal global economy. On the contrary, they are persuading them to play by the rules of FT on the basis of mutual interest. In response, TNCs have decided to participate, but did so not from ideological conviction, but because it is convenient and profitable (Renard, 2003). On this basis, Fridell (2004; p.423) underlined that ''*TNCs are concerned only with the need to protect their public image for the sake of profitability*''. To illustrate, Procter & Gamble and Sara Lee lobbied the US government to abandon the International Commodity Agreements in 1989 and are currently making huge profits as a result of the global coffee crisis while at the same time displaying support for FT coffee. However, the main issue is that the relatively minor commitment of these TNCs is a major one for the FT network - Starbucks is now among the largest FT roasters in North America -which gives TNCs great influence on the future direction of the network (ibid).

This argument has been verified by our empirical findings, whereby we have demonstrated that the TNC involvement in FT has been underpinned by a strong profit motivation driven by demand from a niche customer segment, the good story that accompanies Fairtrade, security of supply concerns and brand reputation on the back of increasing publicity regarding child labour. Furthermore, on the back of FT's scale limitations we have outlined earlier and that we demonstrate in detail during our empirical findings, it's obvious that a small commitment from TNCs is a major commitment for FT as a whole.

Moreover, the involvement of TNCs who are not part of FT has also raised serious doubts regarding the whole success of the FT network. Le Mare (2008) asserted that the use of power by non-FT certified organisations, such as buying houses and middle men remains problematic. On that note, Shreck (2005) emphasised that FT initiatives are not immune to the demands of powerful actors who control conventional commodity chains. Since most of these conventional organisations are exempt from complying with the Fairtrade criteria that producers are held to, they continue to maintain control in the Fairtrade banana sector.

Renard (2003) confirmed that since not all of the TNCs adhere to the ideological principles of FT, this means that power relations at the heart of the network do not change. In parallel, Fridell

(2003) argued that the challenge which FT poses to the global capitalist market is ultimately restricted by its involvement in it. As such, the dominance of the agents, mechanisms, and structures of global capitalism remain unaltered and, in many ways, unquestioned. This is in line with our findings, which demonstrate that international traders/processors have maintained their power and, in fact, at this stage of the chain the FT and conventional GVCs overlap across our cases. Also, these TNCs leverage FT as a tool in order to increase their revenue and profit margin in the chain despite not fully adhering to FT's principles.

Beyond TNCs, there has been criticism that organisations involved in Fairtrade and specifically FTSE, do not pose any fundamental challenge to the system of unfair trade or the unfair structures which underlie trade (Tallontire, 1999). This is because, for example, Divine not only seems to be advocating the adoption of FT by TNCs, but also seems to be ignoring the competitive threat this might present for Divine itself. Ryan (2011) claimed that Cadbury announced plans to buy cocoa directly from Kuapa and invest £30m in Ghana. Divine Chocolate's Chair (Divine Annual Report, 2008; p.2) mentioned: ''*I recall in 1998 saying that when Cadbury went Fairtrade we would have won*''. Divine's website (2011) emphasised that Divine leads the way as a catalyst for change in the chocolate market with the announcement of Cadbury's converting approximately 20% of their chocolate range to Fairtrade. Other chocolate brands have since then followed. In response, Ryan (2011) positioned Divine and FT in the ethical marketing space, while pinpointing the dominance of the TNCs (though market concentration) in determining the low price the majority of the farmers receive. On the same note, Raynolds et al. quoted in Doherty (2010) argued that mainstream companies refashion FT into a niche orientated marketing scheme rather than a concept to transform international trade. Raynolds (2004) further suggested that FT is absorbed by the market, while Fridell (2004) claimed that TNCs may pose a significant threat to the viability of FTSEs like Divine, which lack the formers' financial and marketing resources.

In relation to the argument above, as we will see during our empirical analysis, the reaction to this has varied. Whilst, some FTOs have acknowledged the situation and have raised serious concerns about ''mainstreaming'' and the competitive threat it poses to them, others argued that TNCs involvement opened up the market for them. In parallel, the niche character of Fairtrade has been demonstrated in the scale section previously, whilst the rationale around FT being a marketing tool has been confirmed by our interviews across our cases.

2.3 Global Value Chain (GVC) Approach

This section further elaborates on the notion of commodity chains that Wallerstein (1995) referred to earlier in the world-systems theory, as one of the institutional features of the world-systems that have allowed and defended capital accumulation. To this end, this section on Global Value Chain (GVC) provides us with the analytical framework through which we have investigated the structure of the international trading system and operationalised the notion of power from a top-down global perspective, in order to address our research questions. We have further complimented this framework with a bottom-up perspective on power outlined in the next section, where we discuss power analyses from some feminist authors.

As such, this section begins with a brief overview of GVC's foundations, followed by its five main dimensions. In turn, we examine ‘‘governance as power’’ and ‘‘governance as coordination’’ at length, since they provide the cornerstone of our analytical framework.

2.3.1 Foundations

The GVC concept has emerged in the context of globalisation and the consequent shift of the nature of trade during globalisation, which have changed the way we view and analyse the international production system and the division of labour. Kaplinsky (2000) claimed that trade was largely undertaken in arm's-length relationships in the earlier period, with final products being largely manufactured in a particular country and then exported. On the other hand, in the era of globalisation, trade has been taking place increasingly in sub-components and services and is consequently more complex (ibid).

Gereffi et al. (2001) underlined that a significant part of global trade is conducted within multinational enterprises or through systems of governance that link firms together in a variety of sourcing and contracting arrangements, while Humphrey and Schmitz (2001) added that trade is organised by global buyers of major retailers or brand-name companies. As a result, and building on the world-systems theory's systemic theorisation of the world as an integrated unit linking together global economic networks, Humphrey and Schmitz (2001) asserted that the global value chain perspective is an effective means to articulate and explain the functional integration between internationally dispersed activities. The increased complexity and ‘‘disaggregation’’ in sub-components have led Gereffi et al. (2001) to highlight the shift in focus from production alone to the whole range of activities from design to marketing.

Kaplinsky (2000) agreed and elaborated that this complexity requires sophisticated forms of coordination, not merely with respect to logistics and the integration of components into the design of the final products, but also the quality standards with which this integration is achieved. He also emphasised power relations, the identification of opportunities and apportioning roles to key players, which reflects the act of governance. As such, Gereffi et al. (2001) have stressed the importance of focusing on the agents of this shift-the multinational enterprises, or TNCs. As a result, access to developed country markets has become dependent on entering into the global networks of lead firms located in developed countries. Trading within these international networks has been taking place through a variety of relationships whose nature and implications for development Global Value Chain research seeks to understand. This is facilitated by problematising the question of governance – how chains are organised and managed and asking questions about the winners and losers in the globalisation process.

Granleese (2009) informed us that GVC first appeared in the literature under the title of the ‘‘Global Commodity Chain’’, while Gereffi et al. (2001) outlined various contending concepts such as: supply chains, international production networks, global commodity chains, French filière and global value chains. They further highlighted that the ‘‘value chain’’ concept was adopted over several widely used alternatives because it was perceived as being the most inclusive of the full range of possible chain activities and end products. For the purposes of this study, we will be using the Global Value Chain (GVC) concept as our analytical framework, which represents Gereffi’s (1994) initial conception of commodity chains and its modern representation (the GVC).

We mentioned earlier that Wallerstein (1995) referred to the concept of commodity chains in order to describe the axial division of labor as a core/periphery phenomenon in which unequal exchange was a major mechanism of surplus transfer and concentration. Indeed, many authors (Gereffi and Christian 2008, Granleese 2009, Dolan and Humphrey 2000, Gibbon et. al 2008, Raikes et al. 2000), have acknowledged world-systems theory’s influence on the articulation of GVC. For example, Gereffi and Christian (2008) stated that GVC research has its foundations in world-systems theory. This is taking place through building on dependency and world-systems theory’s core, periphery and semi-periphery concepts associated with the power and hierarchy relations and consequent development capabilities reflected from their specific position. The powerful role of TNC lead firms is added to these core principles, shifting in this way the focus to firm behavior in the first incarnation of GVC analysis, the global commodity chains (GCC) framework. To confirm, Raikes et al. (2000) suggested that the notion ‘‘commodity chain’’ comes from Wallerstein’s world-systems theory, which is an extension of dependency theory, combined with Braudelian history. The notion of the network of labour and production processes whose end result is a finished commodity, comes from Hopkins and Wallerstein (1986, 1994).

From what we have discussed already, we briefly demonstrated that the GVC approach is radically different to the traditional trade and economic theories. Firstly, GVC sees trade as being embedded in, and considerably determined by institutional structures, while economic theory focuses on individual optimising behavior through supply and demand, as we briefly mentioned during the introduction. The governance or power exercised by the lead TNCs across the chain along with the implications of this power are key focus areas, in contrast to traditional trade theories. As such, through utilising the GVC approach during this study, we have placed institutions and the concept of governance and power in the center of our attention.

2.3.2 Definition & Main Features

Gereffi and Fernandez-Stark (2011) asserted that the GVC approach describes the full range of activities that firms and workers perform to bring a product from its conception to end use. This includes activities such as design, production, marketing, distribution and support to the final consumer. There are five main dimensions that the GVC explores:

1. **Input-output structure –** Describes the process of transforming raw materials into final products. The first step here is to identify the main activities/segments in a global value chain, typically represented as boxes connected by arrows as per example of the textile value chain below in Figure 1. These show the flows of tangible and intangible goods and services, which are critical to mapping the value added at different stages and in turn, the differing returns for the chain actors.

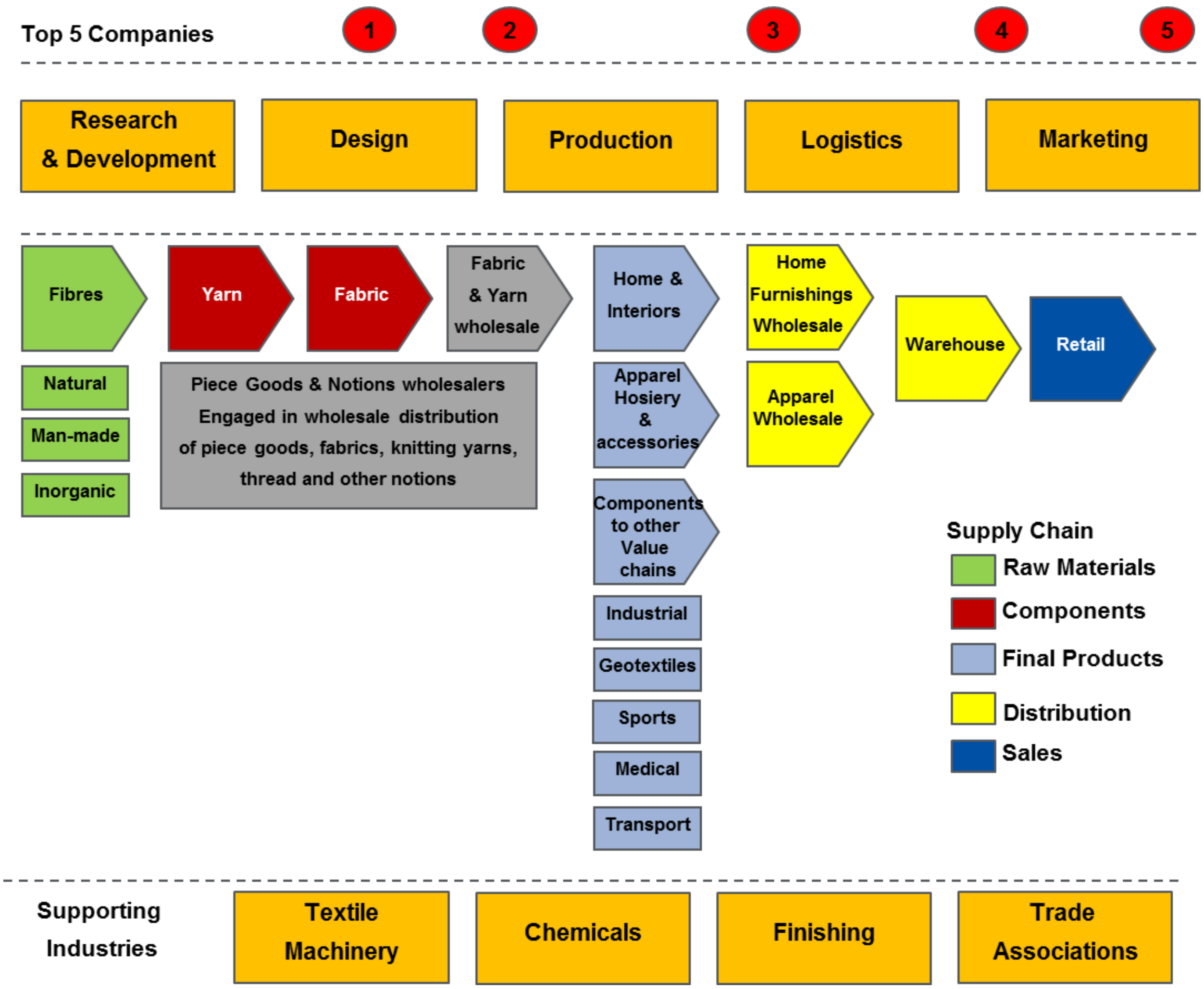
Identifying the dynamic and structure of companies under each segment of the value chain is equally important. As such, we need to map the type of companies involved in the industry and their key characteristics: global or domestic; state-owned or private; large, medium, or small; etc. Identifying the firms that participate in the chain will help us to understand its governance structure (ibid).

2. **Geographical scope –** Geographical analysis is based on the identification of the lead firms in each segment of the value chain. GVCs operate at local, national, regional and global scale and allow mapping the geographic shifts of global industries (ibid).

3. **Governance structure –** Gereffi (1994; p.215) defined governance structure as the ‘‘*authority and power relationships that determine how financial, material and human resources are allocated and flow within a chain*’’. In other words, Gereffi and Fernandez-Stark (2011) explained that

governance describes how the value chain is controlled. Given its importance in this study, we will examine this in detail in the next section.

Figure 1: Input-Output Structure of the Textile Value Chain



Source: Adapted from Gereffi (2011)

4. **Institutional context** – GVCs are embedded within local economic, social and institutional dynamics. Economic dynamics entail labour costs, infrastructure availability while social dynamics include skills level and female participation, while institutional dynamics involve tax regimes and policies. Thus, an analysis of the local dynamics requires examination of the stakeholders involved. As we briefly mentioned during the previous section on Fairtrade and in line with the empirical analysis that will follow, the institutional context will be particularly relevant in relation to FT in light of the criticism it has attracted for its disregard of contextual factors and its top-down approach.

5. **Upgrading –** It describes the movement within the value chain by examining how producers can shift between different stages of the chain. The GVC approach analyses the global economy top-down and bottom-up. The key concept for the top-down view is “governance” of global value chains and focuses mainly on lead firms. On the other hand, the main concept for the bottom-up view is ‘‘upgrading’’, which focuses on the strategies used by countries, regions, and other economic stakeholders to maintain or improve their positions within the GVC. As we will see later through our empirical evidence, this concept will be particularly relevant when comparing the FT GVCs in terms of the type of upgrading they have achieved (ibid). Gereffi et al. (2001) and Gereffi and Fernandez-Stark (2011) outlined the following types of upgrading:

- **Product upgrading**: This entails moving into more sophisticated product lines.
- **Process upgrading**: Firms can upgrade processes by transforming inputs into outputs more efficiently through superior technology or re-organising the production systems.
- **Functional upgrading**: This entails both intra-chain and inter-chain upgrading which involves acquiring new functions (or abandoning existing functions) to increase the overall skill content of the activities. For example, intra-chain upgrading could mean moving from production to design or marketing within the same chain, achieving vertical integration, or even, diversifying their buyer-supplier linkages through working with different kinds of lead firms. Inter-chain upgrading involves competence acquired in a particular function of a chain and using it in a new sector.

2.3.3 GOVERNANCE

In response to the main five dimensions of GVC outlined above and similarly to the systemic articulation of the modern world-systems by world-systems theorists earlier, Gibbon et al. (2008) characterised GVC as the critical infrastructure of economic globalisation since they can be thought of as the integrative counterpart to the current processes of geographical dispersion, economic specialisation, differentiation and risk externalisation. However, both disintegration of production and its re-integration through inter-firm trade do not occur spontaneously, automatically or even systematically. Instead, these processes are initiated and institutionalised as a result of concrete strategies and decision-making usually by large firms that manage access to final markets in developed countries and emerging economies. The relevance of governance to GVC analysis is thus that it emphasises the practices and organisational forms through which a division of labour between lead firms and other agents involved in the conceptualisation, production and distribution of goods and services in global industries is established and managed.

There have been two main approaches to articulating governance in the literature review we have undertaken. The first one highlighted power and power relations as a central concept within governance and the second one referred to coordination.

For the purposes of this study, we defined governance as power (with its distinct governance structures: ''Buyer-driven'' and ''producer-driven'') and overlaid ''governance as coordination'' where necessary to add further analytical rigor in order to reflect the distinct governance features of each chain. We will now examine ''governance as power'' and ''governance as coordination'', which are key components of our analytical framework.

1. **''Governance as Power'' –** We earlier saw Gereffi (1994; p.215) defining governance as the ''*authority and power relationships that determine how financial, material and human resources are allocated and flow within a chain*''. In this regard, Gereffi (1994) and Gereffi and Fernandez-Stark (2011) stated that initially in the global commodity chain framework, two distinct governance structures have emerged and were described as ''buyer-driven'' or ''producer-driven'' chains. Gereffi (1994) emphasised that these two distinct structures of governance have emerged as a result of the barriers to entry that allow commercial and industrial firms to control backward and forward linkages.

- **''Buyer-driven''** – Chains whereby powerful and large retailers, such as Wal-Mart and Tesco, and highly successfully branded merchandisers (e.g., Nike, Reebok), play a pivotal role in setting up decentralised production networks in a variety of exporting developing countries (ibid). Furthermore, they dictate the way the chains are operated by requiring suppliers to meet certain standards and protocols, despite limited or no production capabilities (Gereffi and Fernandez-Stark, 2011). In essence, Gereffi (1994) argued that the main job of the powerful TNCs is to manage the chain and integrate the various pieces of business. He further highlighted that this type of governance has been prevalent in labour intensive industries. As we will see from our empirical analysis, both the cotton-apparel and cocoa-chocolate GVCs are ''buyer-driven''. To this end, we will demonstrate how the lead TNCs exercise their power through positioning close to customer demand, setting quality parameters, striving for profitability, leveraging their purchasing power, and adding value. Following this, we will examine how have these mechanisms been affected by FT and the FT GVCs.
- **''Producer-driven''** – Chains whereby powerful TNCs play the central role in controlling the production system along with the backward and forward linkages. The geographic

spread of these chains is transnational and the levels of development of the countries participating in these are varied. Producer-driven chains are typical within capital-intensive and technology-driven industries. A key distinguishing element is the control exercised by the TNCs administrative headquarters (ibid). It should also be noted that producer-driven chains are more vertically integrated along all segments of the chain and leverage the technological or scale advantages of integrated suppliers (Gereffi and Fernandez-Stark, 2011).

2. ‘‘**Governance as Coordination’’** – Granleese (2009) highlighted that the conceptualisation of ‘‘buyer-driven’’ or ‘‘producer-driven’’ governance structures has been further advanced to reflect the distinct features of the governance structures of each chain. Although the concept of buyer ‘‘driven-ness’’ is still applicable across many chains, this ‘‘driven-ness’’ is manifested in different ways, degrees and has different drivers. Furthermore, Gereffi (2001) reminded us that governance structures evolve according to technological, institutional, and organisational innovations, as well as changes in regulatory environments and ‘‘*thus, in any particular time period or within a given industry, new governance structures co-exist and interact with earlier forms of governance*’’ (ibid; p.30). As such, from the literature review, ‘‘governance as coordination’’ is based on the ideal types of ‘‘buyer-driven’’ or ‘‘producer-driven’’ structures with further analytical inputs to reflect specificities of chains and contextual changes and trends.

More specifically, Gibbon et al. (2008) referred to Sturgeon’s work on the electronics industry to explain the conceptualisation of ‘‘governance as coordination’’. Gereffi et al. (2001; p.6) defined GVC governance as ‘‘*non-market coordination of economic activity*’’. On a similar note, Humphrey and Schmitz (2002; p.25) noted that ‘‘*chain governance structures are the relationships and institutional mechanisms through which non-market coordination of the chain is achieved*’’. The latter definition has been more suitable for our analysis as it included the coordination of the whole chain and not just the economic activity. As such, social and political dimensions, which we deem critical, have been part of our analysis. This is important as lead institutions or TNCs may control chains in more ways than just economic activity through, for example, requiring suppliers to meet certain standards and protocols, as seen earlier in ‘‘buyer-driven’’ chains. Also, according to our interpretation of Humphrey’s and Schmitz’s (2002) analysis of arm’s length market relations, both Humphrey and Schmitz and Gereffi et al. may have referred to ‘‘non-market’’ coordination in their definitions as this involves limited to no relationship between the buyer and producer. As such, no ‘‘governance as coordination’’ is required. This may imply that the buyer buys a standard product, or buys product made-to-order on the basis of predefined options, or provides drawings and purchases producer's universal production skills. This may also imply that the buyer's requirements (including quality, reliability, etc.) could be met by a range of suppliers.

Gereffi et al. (2001) went on to specify the following governance features:

- Coordination can take various forms in ‘‘buyer-driven’’ chains. Other than arm’s length market relations, coordination takes place through: inter-firm networks, quasi-hierarchical relationships between powerful lead firms and independent but subordinate firms in the chain, and vertical integration within enterprises. Similarly, Humphrey and Schmitz, quoted in Granleese (2009), advanced the understanding of governance in ‘‘buyer-driven’’ chains by outlining the same modes of governance pursued by powerful buyers in global value chains.
- Gereffi et al. (2001) suggested that where powerful lead firms exist, their power stems from two attributes: their market power (measured in part by concentration or market share) and their positioning in chain segments. Both sources of power are derived from barriers to entry.
- Governance structures arise in response to two needs for coordination. Firstly, the more companies are involved in specifying the products that their suppliers make, the more they are likely to develop structures to coordinate their activities. Secondly, the more they are exposed to risks as a result of the suppliers’ failures, the more they will intervene to coordinate and monitor the chain (ibid).
- Governance involves the ability of one firm in the chain to influence or determine the activities of other firms in the chain. This may involve defining the products to be produced by suppliers and specifying processes and standards to be used. This power is exercised through the lead firms’ control over key resources needed, decisions about entry to and exit from the chain and monitoring of suppliers. It may also involve technical support to suppliers in order to enable them to achieve the required performance.
- Chains differ significantly with respect to how strongly governance is exercised, how much governance is concentrated in the hands of a single firm, and how many lead firms exercise governance over chain members (Gereffi et. al, 2001).

Humphrey and Schmitz (2001) asserted that governance has to do with the exercise of control along the chain which is articulated by a set of questions. These include: what is to be produced, how it is to be produced (which may include the technology to be used, quality systems, labour and environmental standards), when it is to be produced, how much is to be produced and at what price. They further highlighted that from the point of view of the analysis of inter-firm linkages in the global economy, the critical parameters for value chain governance are the first two. These are often set by buyers at various levels of specification, but it is also important to highlight that the ‘‘what to be produced’’ and ‘‘how to be produced’’ can also be set by agents external to the chain, such as the Government or international NGOs. This is in line with our case studies, whereby the Ghanaian and Indian Government have a significant role to play, as well as FTI, but to a lesser extent. But, we will examine this in detail through our empirical analysis.

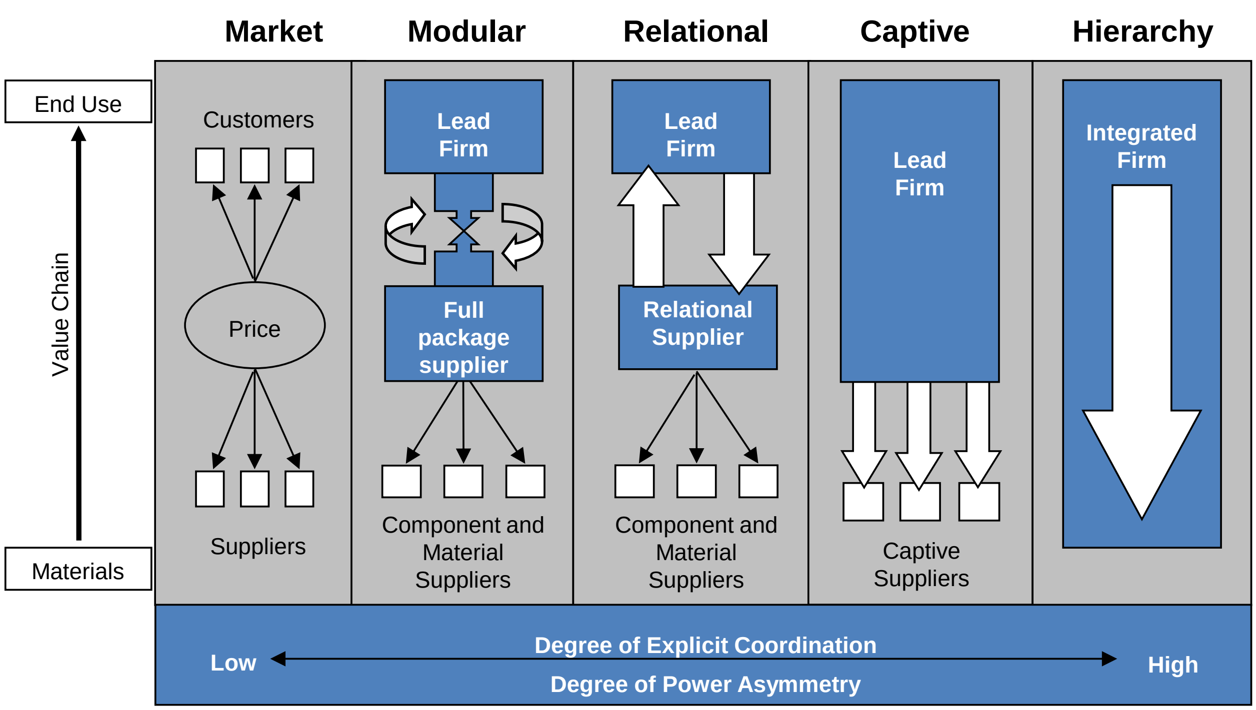
In a later paper, Gereffi et al. (2005) built on Gereffi et al. (2001) and Humphrey and Schmitz's forms of coordination in ‘‘buyer-driven’’ chains. They provided a more elaborate typology of five governance structures (see figure 2), based on the complexity of transactions, ability to codify them and supplier capabilities in relation to a transaction's requirements. This elaborate, albeit transactional and micro-view of governance and GVC has resulted in the following governance types depicted below: markets, modular, relational, captive, and hierarchy. In line with these governance types, during our empirical analysis later, we establish the governance type between nodes of the conventional and FT GVCs in order to assess FT's systemic impact in shifting value chains relations. Gereffi et al. (2005) and Gereffi and Fernandez-Stark (2011) explained:

- **Market:** Involves transactions that are relatively simple. Information on product specifications is easily transmitted, and suppliers make products with minimal input from buyers. This type of governance requires little or no formal cooperation. The central governance mechanism is price rather than a powerful lead firm. Spot markets are a typical example of this governance type. For example, we could consider commodities or securities markets in which goods are sold for cash and delivered immediately.
- **Modular:** Occurs when complex transactions are relatively easy to codify. Suppliers make products to a customer's specifications and take full responsibility for process technology. This keeps costs low and limits transaction-specific investments. Relationships are more substantial than in simple markets because of the high volume of information. Sturgeon, quoted in ibid, added that highly competent suppliers could be added and subtracted from the global production arrangements on as as-needed basis. This, in combination with making products according to a customer's specifications reflects a buyer-driven governance structure. The electronics industry and contract manufacturing could provide an example here, whereby the branded laptop merchandiser and retailer Dell specifies the overall product (laptop) and its individual components and chooses among a variety of

full-package suppliers who provide them through assembling them from numerous component and material suppliers.

- **Relational**: Takes place when buyers and sellers rely on complex information. This results in frequent interactions and knowledge sharing between parties. Lead firms still specify what is needed, and thus have the ability to exert some level of control over suppliers, reflecting in this way a ‘‘buyer-driven’’ governance structure. Relational linkages take time to build, so the costs required to switch are high.
- **Captive:** In explicitly mirroring a ‘‘buyer-driven’’ governance structure here, small suppliers are dependent on one or a few buyers that often exercise great power. Such networks entail a high degree of monitoring and control by the lead firm. For example, this could be manifested when food crop farmers rely on one or few buyers to purchase their produce by using equipment which was given to them by the buyer.
- **Hierarchy:** Describes chains characterised by vertical integration and managerial control within lead firms that develop and manufacture products in-house. This usually occurs when product specifications cannot be codified, products are complex, or highly competent suppliers cannot be found.

Figure 2: Five GVC Governance types



Source: Adapted from Gereffi (2011)

3. **Governance Meta-Analysis and critique –** Given the analysis above and despite the criticism we outline and address below, we refer to ‘‘governance as power’’ through the conceptualisation of the ‘‘buyer-driven’’ governance structure. In addition, we have utilised ‘‘governance as coordination’’, on top of the ‘‘buyer-driven’’ concept, since this has provided us with further analytical inputs that reflect the specificities of chains, contextual changes and trends. Granleese (2009) concurred through defining governance as power and coordination whilst asserting that the obvious merit of using the GVC analysis to trade and economic relations is at the macro level where GVC analysis offers the greatest insight through its focus on the location of power, and how the influence of power within one segment can determine the organisation of the entire supply chain.

On the other hand, he stated that Gereffi et al. (2005) articulation of five governance structures extended the somewhat limited buyer/producer driven dichotomy but criticised it for focusing on the micro-level and thus reducing governance to something highly similar to transaction cost economics. Gibbon et al. (2008) also identified two main problems with Gereffi et al. (2005) articulation of ‘‘governance as coordination’’ through five governance structures. Firstly, the explanatory scope of the governance concept is narrowed from the length of the chain to the inter-firm transaction at a specific node in the chain; second, the ‘‘governance as coordination’’ formulation reflects a key assumption of transaction cost economics, i.e. that the economy’s organisational forms emerge as efficient solutions to structural challenges of transacting. This marks a sharp break from the ‘‘governance as power’’ formulation and from the early commodity chains research agenda of world-systems theory. So, while the ‘‘producer-driven’’ and ‘‘buyer-driven’’ typology sought to make explicit the power relations and explain why they differ in capital versus labour-intensive industries, the ‘‘governance as coordination’’ suggests that power is a contingent property of only certain types of inter-firm coordination (ibid). On the same note, Raynolds (2002) criticised micro-level commitments which overshadow the need for more macro-level research and the analysis of global-local linkages allowed by the GVC analysis through its focus on power relations. However, we argue that by using the ‘‘buyer-driven’’ governance structure with an overlay of ‘‘governance as coordination’’, we have maintained our focus on power across the chain whilst enriching it analytically with the governance structure between nodes of the chains.

Despite the merits and our rationale for using power in the centre of our analytical framework, there have been various criticisms regarding the ‘‘producer and buyer-driven’’ governance structures. For example, Fold (2008) suggested that there is little evidence of the ability of one lead firm (or single type of buyer) to impose its strategic decisions in most food-based GVCs. Instead, food-based GVCs typically contain different types of dominant actors who all are ‘‘buyers’’ and could be branded manufacturers, category managers, contract manufacturers, retailers or international traders. Although this is a legitimate critique, we don’t see how this could potentially dismantle the notion of governance as driving power, since we are still referring to power relations deriving from an oligopoly instead of a monopoly.

In addition, Gibbon et al. (2008) mentioned critics who claimed that the ‘‘producer-driven’’ versus ‘‘buyer-driven’’ distinction was too narrow or excessively abstract and that these two types failed to capture the range of governance forms observed in actual chains, including the influence certain external actors (those not directly supplying a product or service) could have in how a chain is governed. This is however, why we also decided to use the concept of ‘‘governance as coordination’’ by Humphrey and Schmitz (2001) above, who incorporated agents external to the chain in their parameter analysis. Also, similarly to our argument above, by using ‘‘governance as coordination’’ on top of the the “buyer-driven” or “producer-driven” governance structures will provide us with the further analytical tools required to articulate the specificity of actual value chains.

2.4 FURTHER PERSPECTIVES ON POWER

We have earlier examined the way in which world-systems and GVC theory analyse power imbalances and their impacts. World-systems theory through its focus on the institutional systemic features that have allowed and defended capital accumulation permits us to describe the axial division of labor as a core/periphery phenomenon in which unequal exchange is a major mechanism of surplus transfer and concentration. Similarly, and building on world-systems theory's core, periphery and semi-periphery concepts associated with the power and hierarchy relations and consequent development capabilities reflected from their specific position, GVC concentrates on governance articulated through power imbalances by incorporating the powerful role of TNC lead firms within global value chains. It's also been suggested that a concern with asymmetric power relations has been a central feature in power analyses of some feminist authors[3] (Kenny, 2007).

As such, the focus on asymmetric power relations is the element which directly links the world-systems theory, the GVC approach and power analyses of these feminist authors. This has taken place in this research without focusing on gender, albeit in a ''gender-aware'' manner, which we explain later in more detail. These theories have been preoccupied with understanding, uncovering and explaining hidden structures that underline power imbalances. World-systems theory and power analyses of these feminist authors share a critical eye towards power relations whilst advancing direct links between them. For example, as explained by world-systems theory, the semi proletarian household is a mode of labor control through which demands of workers are restrained in the context of the institutional structures that have allowed capital accumulation. This systemic and institutionalised form of sexism forces households to absorb these costs through women's reproductive and subsistence labor. Thus, individuals in households adapt to the corporate externalisation of costs by pooling resources in order to live, including wages, reproduction, subsistence food production, and informal work (York and Ergas, 2011).

Furthermore, we earlier referred to the power of the central government over the daily life of its citizens as part of our world-systems theory. As we will examine in the next section, the conception of power as ''power-over'' has been prevalent among some feminist theorists. Also, in line with commodity chains in world-systems theory and value chains in GVC, York and Ergas (2011)

[3] York and Ergas, Allen, Miller, Hartsock, Grosfoguel and Cervantes-Rodríguez, Mies, Stanley and Wise, Oakley, Strassman, Harding and Nelson, Wuest and Merritt-Gray, Wuest, Ferber, Mies, Temperley.

contended that nodes of commodity chains are the most promising concepts for analysing work deriving from locally based extractive and productive systems.

Therefore, this section firstly provides different articulations of power from some feminist authors. Following this, we present the way these power analyses enhance and shape our GVC analytical framework. Then, we examine some of these authors' key principles in two levels: the epistemological and methodological. Lastly, we conclude by summarising this chapter and highlighting the elements of our analytical framework that helped us structure our empirical findings in four key themes.

2.4.1 Taxonomy of Power

Allen (2013) provided a comprehensive taxonomy of perspectives on power:

a. ''Power as Resource'' – Power is understood as a positive social good that is unequally distributed. The goal is to redistribute this resource so that women will have power equal to men. This conception entails a dyadic, atomistic understanding of power and consequently fails to illuminate the social, institutional and structural contexts that shape individual relations of power. This makes the distributive model unhelpful for understanding the structural features of domination (ibid).

b. ''Power as Domination'' – In contrast, Allen (2013) asserted that in ''power as domination'' feminist theorists have used a variety of terms to reflect domination, including oppression, patriarchy, and subjection. The common thread is an understanding of power as a specific kind of ''power-over'' (similar to the one exercised by central governments over their citizens articulated in world-systems theory) that may be unjust or illegitimate in the context of relations that include domination.

c. ''Power as Empowerment'' – Other feminist theorists argued that power as ''power-over'', domination, or control is implicitly masculinist. In order to avoid this connotation, some feminist theorists have advanced a reconceptualisation of power as a capacity or ability, specifically, the capacity to empower or transform oneself and others. For example, Miller quoted in ibid, suggested that it is natural for women not wanting to use power as it is presently conceived and used. ''*Rather, women may want to be powerful in ways that simultaneously enhance, rather than diminish, the power of other*''. On the same note, Nancy Hartsock, quoted in ibid, referred to the understanding of power as energy and competence rather than dominance.

On this note, Grosfoguel and Cervantes-Rodríguez (2002) critically analysed the top-down, ‘‘neutral’’ and ‘‘objective’’ approach of world-systems, whereby attention is directed to the ‘‘role of the other’’ as necessary for the process of accumulation in a paradigm centered on the West. This is embedded in the ‘‘West and the rest’’ syndrome where the ‘‘rest’’ is largely a consequence of the West, leading to the undermining of the role of the ‘‘other’’ and local circumstances. Without rejecting the importance of the capitalist process of accumulation, they argued for the value of privileging the ‘‘responsibility to act’’ over the ‘‘responsibility to otherness’’ in an effort to also draw attention to the importance of context, subjectivities and experience which can inform social theory and facilitate mobilisation for change. By utilising the feminist perspective on power seen as empowerment, Temperley (2013) suggested we can take into consideration power emerging from the margins of society or through cooperation between the dominated. This is also in line with FT’s farmer organisation and empowerment principle, which we will be examining during our empirical analysis later. Therefore, by examining ‘‘power as empowerment’’, we acquire a fuller understanding of different strands of power and a bottom-up view of power which is grounded on experience and compliments the top-down view offered by world-systems theory and GVC.

2.4.2 Enhanced Analytical Framework

On this note, we argue that, by combining GVC with power analyses from these feminist authors, we are able to articulate a robust analytical framework through which we have examined our research questions. This is because, despite their similarities, these theories arrive at their conclusions regarding power imbalances from different angles. These are summarised succinctly from Grosfoguel and Cervantes-Rodríguez (2002) by referring to differences in the level and unit of analysis, role of actors and developmentalism. Thus, while feminist analyses usually take place at micro level, world-systems theory and GVC analyses are predominantly at macro level. York and Ergas (2011) confirmed this and also suggested that world-systems analyses tend to look at the effect of global forces on local events, while feminist analyses tend to look at how women and men contribute to and attempt to change structural processes. On this note, we earlier referred to Grosfoguel and Cervantes-Rodríguez (2002) who critiqued the centrality of the West and the Core in defining prospects for change outside the core, whilst advancing instead the scope to redefine relations of power from outside the core.

Building on this, Tallontire et.al (2009) argued that whilst GVC analysis focuses on the structure of international trade and position power relations within the remit of lead TNCs and their suppliers within the vertical dimension of the chain, others noted that there is also a horizontal dimension of power. To this end, Gibbon et al. (2008) highlighted the influence of certain external actors (those not directly supplying a product or service) that could have an impact in how a chain is governed, such as government bodies or civil society organisations. Therefore, building on the horizontal dimension of power, we have utilised power analyses from these feminist authors in order to highlight the influence of external actors, but also to underline Fairtrade's focus on farmer empowerment and organisation. As we will see later in our empirical analysis, this horizontal dimension of power enhances the analytical rigor of GVC's ''governance as power'' at chain level and ''governance as coordination'' which, aims to reflect the distinct governance features between each node of the chain. This has taken place through exploring key horizontal power relations, such as the power dynamic between FTI and TNCs/FTOs, the uneven playing field between smaller and larger cooperatives on the basis of FT's cost of certification, but also the role of marginalised groups, such as women within cooperatives.

Therefore, integrating key strands of power analyses from these feminist authors with the world-systems theory and GVC, has enhanced our macro, systemic, normative, vertical and top-down analysis (articulated by world-systems and GVC) by providing a more constructivist, contextual, reflexive, diverse, micro, horizontal and bottom-up angle. This has taken place without focusing on gender, albeit in a ''gender-aware'' manner, which, as we said earlier, takes under consideration the horizontal power relations between women and the cooperative in the context of the broader farmer empowerment and organisations advanced by FT. Furthermore, key features from these power analyses have also been reflected at methodological level and informed our research design, data collection and analysis accordingly (which we will examine later in Grounded Theory in more detail). Lastly, incorporating these power analyses has also allowed us to be consistent with our interpretation of critical realism, which we will explain in the next section.

2.4.3 Key Principles

The feminist theorists we earlier referred to have articulated some key principles. For example, Wuest and Merritt-Gray (2001) asserted that commitment to feminist methodology indicates reflexivity, diversity and transformation. In turn, Wuest (1995) structured these principles in two levels: the epistemological and methodological.

On the epistemological level, as briefly outlined earlier, the key principles of diversity and reflexivity are highlighted through the recognition of multiple sources of knowledge. These were mainly articulated as a critique to the essential feature of traditional social sciences, including mainstream economics: the mathematical-deductive approach. Lawson (2006) highlighted the importance of the formalistic-deductive reasoning for traditional sciences whilst pinpointing that mainstream economists adopt it everywhere in a way that renders method more important than ideas and usefulness. The insistence on the mathematical-deductive approach associated with value-free, objective and uninvolved research has been heavily criticised by feminists (Mies 1993, Stanley and Wise 1983). Nelson (2001) explains that this has been a result of androcentrism and was reflected through a set of contrasting values. For example, ''*objectivity, separation, logical consistency, individual accomplishment, mathematics, abstraction, lack of emotion and science itself have long been culturally associated with rigor, hardness – and masculinity. At the same time, subjectivity, connection, intuitive understanding, cooperation, qualitative analysis, concreteness, emotion and nature have often been associated with weakness, softness – and femininity*'' (ibid; p.94).

As a consequence, Mies (1993) and Stanley and Wise (1983) argued for understanding, emotion and qualitative analysis, whilst Strassman (1993) advocated for on-the-ground empirical work to provide a wider range of explanations. In this way, the importance of empirical evidence and narratives from various sources has become a central feature of feminist theories. Given the diversity of sources of information, Wuest and Merritt-Gray (2001) emphasised that the use of feminist theories reminds us to attend to points of difference and rework theory, which underlines the reflexivity required to go back and forth between empirical evidence and theory (as we will examine later within critical realism and Grounded Theory).

Following on from Strassman's emphasis on diversity expressed via the recognition of multiple sources of knowledge, it is also implicit from the discussion above that universal and objective truths are rejected and so are dichotomies and dualistic thinking. Indeed, Wuest (1995) rejected any universal and objective truth, while Jennings (1993) emphasised the need to overcome dualistic thinking. Harding, quoted in ibid, criticised science for claiming to have the right to objective truths whilst arguing against dualistic metaphors. For this reason, Harding (1995) argued for a shift away from individualism and individually held false beliefs towards institutional and structural aspects that shape biases.

On the same note, Ferber and Nelson (1993) explicitly referred to culturally and socially constructed terms, which render dualisms as matters of social belief. At this stage, it is important to highlight that feminist theorists have expressed various positions regarding the degree of rejecting dualistic thinking. Our position reflects the feminist position of rejecting universal truths deriving solely from objective and mathematical-deductive approaches. We have also earlier explained our rationale for complementing the top-down view articulated by world-systems theory and GVC with the bottom-up and on-the ground experiences advocated by feminist conceptions of power, which are communicated through narratives. Having said this, we will explain in detail how we intend to combine narratives and empirical experience with positivism and to what degree later in the critical realism section.

On the methodological front, the main features include the non-hierarchical relationship between the researcher and the ‘‘researched’’, the empowerment, transformation and emancipation goals of feminism. With regards to the research relationship, Wuest (1995) suggested that feminism has produced various debates and positions on this topic ranging from a reciprocal relationship on one end to ‘‘friendly stranger’’ on the other. For example, Oakley (1998) called for the researcher to be treating the researched as she/he would like herself/himself to be treated. In agreement with Oakley, Mies (1993) proposed that the ‘‘view from above’’ should be replaced with the ‘‘view from below’’. The rationale for this is that ‘‘*research, which so far has been largely an instrument of dominance and legitimation of power elites, must be brought to serve the interests of dominated, exploited and oppressed groups*’’ (ibid; p.68). On the other hand, Wuest and Merritt-Gray (2001) advanced respect for participants and avoiding oppression. Our position has demonstrated full awareness of the powerlessness certain interviewees were experiencing and was mitigated through demonstrating an active understanding of their situation. However, this has not been as applicable to other interviewees given their current position and power within their organisations.

Lastly, transformation, empowerment and emancipation have been central tenets in our feminist theorists’ arguments. For example, Harding (1995; p.24) calls for feminist insight based on an empirical and theoretical project, ‘‘*requiring political and scientific struggles against the dominant institutions and their discourses*’’. Feminist theory is challenging the existing ideologies and methodologies by the empowerment of groups whose needs and aspirations have previously been denied. Insights were achieved not only through conversation but through actual transformation, which underlines the goals of feminist social research: empowerment and emancipation (Folbre, 1993). Mies (1993) echoed the goals of emancipation and empowerment and advanced the political character of feminist research. According to Mies, the political goal of liberation cannot be separated from the scientific one (ibid).

2.5 Conclusion

The aim of this chapter was to articulate what Fairtrade stands for whilst positioning it among theories of international trade and power analyses from feminist authors that have been concerned with power relations. In doing so, we have established that the FT network, having departed from international trade theories that envisaged an alternative trading system on the basis of strong nation state regulation, is now a market-driven approach based on voluntary commitments from consumers, TNCs and NGOs. This has taken place through the emergence of labeling and Fairtrade.

In light of this, and though outlining FT's and fair trade's vision, FT principles and on-the ground impact, we argued there is a disconnect between the vision of modifying the existing international trading system and FT's ‘‘mainstreaming'' approach that involves working within it and its agents. Furthermore, we have also highlighted that the impact of FT has been shaped and determined not only by the context within it operates, but also by the organisations that implement FT and the way they do so. For example, the FT minimum price has been irrelevant due to government intervention in pricing. Also, we have outlined that farmer empowerment heavily depends on the bottom-up or top-down approach pursued by the FT participating organisations. But, despite the differences in impact, we also argued that FT's overall scale is insignificant when considering a variety of scale measures across the GVCs.

In order to explain FT's shortcomings, we have positioned it in the context of the world-systems theory that articulates the systemic structure of the international trading system through its agents and mechanisms. As such, we have demonstrated that the primacy of the drive for capital accumulation and the mechanisms in order to achieve this are fundamental in understanding the existing power imbalances. To this end, nation states and TNCs have a lead role in driving and defending capital accumulation. Following this, we argued that the analytical tool that better articulates and explains power imbalances and the drive for capital accumulation is value chain governance. In this context, Fairtrade has limited its potential for systemic change by choosing to operate in ‘‘buyer-driven'' GVCs and work with the powerful TNCs that drive and control them. On top of this, we have shown that FT's principles and orientation are geared towards only farming and consumer level through working with brands. This means, however, that FT has omitted the fact that there are other participants in the GVCs that relate to others in GVC nodes through various governance structures. Nonetheless, in line with the power perspectives we have examined in the last section, whereby power has been articulated through its horizontal dimension and its potential to empower, FT has advanced the notion of farmer organisation and empowerment.

To this end, through bringing our literature review and our enhanced analytical framework together, there are four key themes emerging, which we later use in order to structure our empirical findings. These are:

1. Sustainability – The role of TNCs has been highlighted in relation to FT's ''mainstreaming'', particularly by choosing to get involved in FT in order to protect their image and enhance their profitability. As such, this theme will allow us to test this during our empirical chapters.

2. Political – The nation state has been emphasised through its role in enabling capital accumulation and exercising regulatory power. Beyond this top-down political dimension, we also previously highlighted the bottom-up power dimension and FT's notion of farmer organisation and empowerment. Utilising this theme will later allow us to demonstrate the role of nation states in contrast to FT's approach.

3. ''Buyer-Driven'' – In ''operationalising'' power relations through the GVC approach, we earlier referred to ''governance as power'' by its distinct ''buyer-driven'' GVC. By using this theme we will later demonstrate how lead TNCs exercise their power on the GVCs and its participants through various mechanisms.

4. Chain Relations & Coordination – In ''operationalising'' power relations through the GVC approach, we earlier also referred to ''governance as coordination'' by its 5 types: markets, modular, relational, captive, and hierarchy. This will allow us to illustrate relations between nodes of the GVCs and to what extent they shifted as a result of FT.

Chapter 3 – Research Philosophy & Methodology

The aim of this chapter is to explain how we have conducted our research. In doing so, through the course of this chapter we explain why a qualitative approach, mainly based on semi-structured interviews within a Feminist Grounded Theory design and multiple case studies, is suitable to address our research area and our goal to synthesise theory.

To this end, through our moderate interpretation of critical realism which involves qualifying generative mechanisms through empirical data, we articulate our research philosophy. Following this, we explain our research goals and our research design, before outlining the criteria our research is going to be assessed against and the sources we have leveraged in order to acquire a robust evidence base.

3.1 Research Philosophy

Having examined our theoretical and analytical framework, it is now time to turn to the research methodology adopted in this study. Jankowicz quoted in Doherty (2010; p.94) defined methodology as ''... *the analysis of, and rationale for, the particular method or methods used in a given study, and in that type of study in general*''. Leedy (1997) highlighted that research methodology underlines and directs the study. He went on to assert that research methodology undertakes the following:

- Controls the study
- Dictates data acquisition and arranges them in logical relationships
- Applies means to refine raw data
- Engineers an approach to highlight underlying meanings from data
- Issues conclusion(s) that expand knowledge

The development of research methodology is driven by research paradigms (Doherty, 2010). According to Bryman, quoted in Henn et al. (2006), a paradigm is a cluster of beliefs which dictates the way scientists in a particular discipline should be doing their research, how results should be interpreted and so on. In other words, ''*it is a set of assumptions about how the issues of concern to the researcher should be studied*'' (ibid; p.10). Firestone, Lincoln and Guba, quoted in Doherty (2010), stressed that paradigms are related to the acceptance of assumptions related to ontology, epistemology among others.

3.1.1 Ontology and Epistemology

The set of assumptions included in paradigms also include assumptions regarding what we study. Della Porta and Keating (2008) defined that ontology is about the object of our investigation, how the world fits together and how we make sense of it. Bryman (2004) suggested that the question here is whether social entities should be considered objective entities that have a reality external to social actors, or are they social constructions built up from the perceptions of social actors. On the other hand, epistemology is about how we know things and the forms this knowledge takes. There are two main divergent views regarding epistemology in Positivism and Interpretivism. There is also a third one, which lies between the first two, Critical Social Research (Della Porta and Keating, 2008). For this study, we have used Critical Realism, which we review below.

3.1.2 Critical Social Research

Blaxter et al. (2010) stated that Critical Social Research naturally critiques both positivism and interpretivism. Consistent with our analysis of structures that facilitate power imbalances through world-systems, GVC and our power analyses earlier, Henn et al. (2006) suggested that behind a misleading surface manifestation lie deep structures and mechanisms of power. Critical Social Research urges researchers to uncover these structures and mechanisms that maintain and perpetuate an unequal distribution of power which results to the exploitation of the majority by an elite minority. Thus, in order to know the social world, Critical Social Research requires revealing the underlying mechanisms and structures within the historical, social and political contexts, which constrain human thought and action.

Ultimately, the purpose and ideal of critical social researchers is to ask critical questions with a view to changing society (ibid), and we envisage that this research would contribute to the debate around this long and complex path of societal change. This is in line with the transformational, empowerment and emancipatory aspirations of some feminist theorists we examined earlier through Folbre (1993) and Mies (1993). Blaxter et al. (2010) agreed and insisted that Critical Social Research ideally aims to challenge and to change society. Consequently, Positivism and Interpretivism are both rejected as amoral and passive. (Henn et al., 2006). As explained earlier, research for critical researchers is a moral-political activity, not merely an academic pursuit. This is also in line with strands of feminist theory and Harding's (1995) view of the necessity for political and scientific struggles against the dominant institutions and their discourses. Henn et al. (2006) suggested that this stance has been naturally criticised for an abandonment of the researchers' obligations, which is to generate knowledge. However, Humphries quoted in ibid (p. 17), suggests that "*all research is inevitably political, since it represents the interests of particular (usually* *powerful, usually white male) groups*.'' Clough and Nutbrown (2003; p.12) insisted that research is inevitably political as it takes place in policy contexts whilst claiming that ''*research which changes nothing - not even the researcher- is not research at all*''. For example, this has been demonstrated through my own experience in this study, whereby I initially held significantly more favorable views about Fairtrade than by the end of the research.

3.1.3 Critical Realism

Scheyvens and Storey (2003) explained that critical realism and feminism are part of Critical Social Research. As mentioned earlier, we have used Realism as the ontological basis for the purposes of this thesis. However, at the epistemological level, in agreement with Granleese (2009), we have utilised empirical evidence in order to qualify the generative mechanisms established through the process of retroduction. This represents a moderate interpretation of Critical Realism's epistemological beliefs, as according to Walters and Young (2001) critical realists stress the importance of non-observable structures and mechanisms without placing such heavy emphasis on empirical observation.

Critical Realism has its origins in Bhaskar's work (Granlesse 2009, Jefferies 2011, Yeung 1997). Jefferies (2011) suggested that the term Critical Realism derives from the phrases ''transcendental realism'' and ''critical naturalism''. In order to describe an interface between the natural and social worlds, Bhaskar articulated a general philosophy of science in transcendental realism and a philosophy of social science in critical naturalism (ibid). Bhaskar (1975) articulated the core ontological argument of critical realism by arguing the existence of a complex and deep reality comprised by the three domains below, which cannot be collapsed into just our immediate experiences, as empirical realism advocates. In explaining transcendental realism, Bhaskar (1975) focused on structures and mechanisms as objects of knowledge and not events. These structures and mechanisms operate and endure independently of our knowledge and experience. In order to further illustrate he conveyed a reality consisting of three distinct domains whereby mechanisms exist, events occur and experiences are taking place. Walters and Young (2001) highlighted that these levels of reality are conceived as being typically out of phase so that, surface experiences do not reveal the underlying generative mechanisms consisting of powers, relations and generative structures. These domains are:

- **The domain of Real –** Whereby generative mechanisms exist unactualised and independently with the tendency to produce events.

- **The domain of Actual** – In which the interaction of causal structures which cause observable events takes place.
- **The domain of Empirical** – Where experiences can be directly apprehended (Bhaskar 1975, Owens 2011).

By referring to the hermeneutic critique of positivism, Owens (2011) suggested that Critical naturalism develops transcendental realism by recognising that the knowledge claims made about reality have an interpreted character. This clearly highlights positivism's insensitivity towards the socially constructed element of knowledge. In addition, critical naturalism advances the fallibility of knowledge claims on the basis that our knowledge of the world is never complete since much of the world lies hidden from our experience located in the domain of actual and real in the form of hidden causal structures and mechanisms. As such, the conceptual models constructed to capture the world describe tendencies, rather than laws of nature. Walters and Young (2001; p.486) concurred by saying that ''*the objects of social science are historically contingent and the underlying structures, powers and mechanisms may change over time*'' (ibid; p.486). Meanwhile, Oliver (2011) suggested that the continuous interplay of generative mechanisms and the looping relationship between ideation and reality make our social reality shifting and unpredictable. As a result, all knowledge must then be seen as tentative and fallible.

Despite the interpretative nature of knowledge production, Owens (2011) clarified that critical realism departs from strong constructivism on the basis of the ontological grounds we mentioned earlier. Strong constructivism rejects the existence of any intransitive mind-independent reality. On the other hand, Critical realism objected to strong constructivism on the grounds that it commits a version of the epistemic fallacy by collapsing the intransitive object of investigation into the transitive domain as a mere epistemic construct. As such, while critical realism understands the role that concepts play in generating social phenomena and recognises how we speak to be important, it does not see social objects as being exhausted by these concepts. Rather they are composed of real generative causal mechanisms. Critical realism also suggests that the object that is spoken about shouldn't be forgotten, and that researchers should hold a dual focus on both of these things. As a result, while constructivists ''*may view social structures and mechanisms as cognitive constructs, critical realists see them as real and potentially mind-independent parts of the world on account of their causal efficaciousness*'' (ibid; p.10). Bhaskar, quoted in ibid, stressed that social structures exist and will continue to exert a causal influence regardless of whether human beings are aware of them or not. Importantly, this enables critical realists to add a critical dimension to their analysis of social theories and discourses.

Consequently, although critical realism endorses relativism on the basis that knowledge is subject to interpretation, its commitment to the ontology we outlined earlier means that every interpretation is not as good as another. Rather, some explanations of the world are more true than others (ibid). Similar to the focus of world-systems theory, GVC and power perspectives from some feminist authors on unveiling and explaining the mechanisms and structures that allow imbalances of power, Bhaskar (1979) and Brown et al. (2001) emphasise that due to the openness of socio-economic systems, results and consequences cannot be predicted but the mechanisms, social structures, powers and relations that causally govern the flux of events can be uncovered and explained. As a result, explanation, whereby an account of its causal history is given, is the goal of science in this instance. Bhaskar (1975) referred to the concept of explanatory power to compare rival theories, while Pratschke (2003) asserted that the explanatory adequacy of our hypotheses about these mechanisms can be assessed by investigating their observable effects. As such, theories with greater explanatory power can explain a wider range of phenomena than rival theories and be consistent with the available evidence. According to Owens (2011), this completes the articulation of critical realism through its three main components: ontological realism, epistemological relativism and judgmental rationality (ibid).

Following the explanatory nature and the critical dimension of critical realism, which is to illuminate that social structures exist and will continue to exert a causal influence, it is now important to link this to its transformational vision. Bhaskar (1979) explained that the subject matter of social sciences is relations. Under this relational conception, society does not consist of individuals, but of the relations within which individuals stand. As a result, scientific theory consists of the movement from the manifest phenomena of social life to the essential relations that necessitate them. The agents may or may not be aware of the existence of such relations. The important thing though is that social science has the capacity to highlight these relations and in doing so it may come to be emancipatory. ''*The emancipatory potential of social science is contingent upon and entirely a consequence of, its contextual explanatory power*'' (ibid; p.32). This is in line to what we described earlier in critical research and some feminist theorists and their political transformational goals. At this stage it would be useful to clarify that although we have strived to construct a theory with great explanatory power, as we will see during our research goals later, our primary research objective has not been to achieve political transformation or the empowerment of our interviewees through our research. Having said this, as we also mentioned earlier, we envisage that our research will contribute to a debate that results in improved understanding and robust explanatory theory, which is an essential first step towards empowerment, transformation and social change.

Leaving the explanatory and emancipatory appeal of Critical Realism aside, we have also decided to employ Critical Realism because of its position regarding mainstream orthodox economic thinking. Criticism against mainstream economic thinking has intensified since the global financial crash of 2008, with some leading economists like Krugman and Stiglitz heavily criticising the sole focus on free-market education and policies (The Guardian, 2013). Granleese (2009) suggested that Critical Realists argue that orthodox economic thinking has led to flawed generalisations and policy prescriptions that disregarded contextual factors. Critical realism's endorsement of epistemological relativism (on the basis that knowledge is subject to interpretation) and the utilisation of empirical evidence in order to qualify the social structures and mechanisms at the Domain of Real are in line with the principle of diversity, by the feminist theorists we outlined earlier, that advances the importance of empirical evidence and narratives. Dow (2000) explained that mathematical formalism entails a particular view of the nature of the subject matter, the economy, as capable of being modeled as a closed system. As a result, this pre-supposes that all information is knowable, including relevant variables, relationships and optimising agents. Bhaskar (1975, 1979) emphasised though that due to the openness of the socio-economic system, results and consequences cannot be predicted. As such, in critiquing the insistence on the mathematical-deductive approach, Lawson (2006) paved the way to other ways of knowing. As a result, Oliver (2011) mentioned that critical realism embraces epistemic relativism, or alternatively, that there are many ways of knowing.

Furthermore, our feminist theorists' rejection of universal truths was earlier echoed in critical realism's articulation of tentative and fallible knowledge, whereby we suggested that conceptual models which are constructed to capture the world describe tendencies, rather than laws of nature. Having said that, we have also acknowledged earlier that social structures and mechanisms are seen as real and potentially mind-independent parts of the world on account of their causal efficaciousness. We have also stated that by qualifying our hypotheses regarding the social structures and mechanisms via their observable effects, we would increase the explanatory and critical power of the resulting theory. As such, we advanced an articulation of critical realism which leans towards ''weak'' positivism as it favors ''objective'' methods (abstraction) over narratives for the purposes of this specific research. On a similar thesis on FT, Granleese (2009) pursued a similar interpretation of the epistemological beliefs espoused within critical realism.

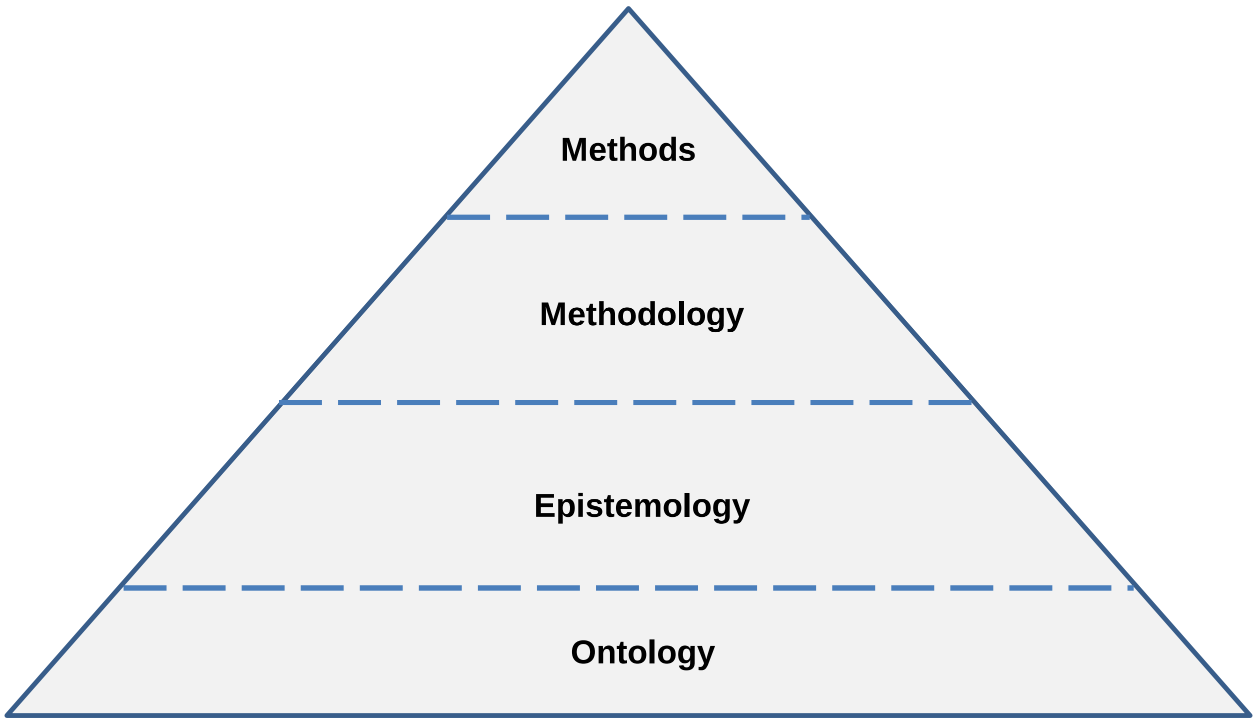
Effectively, he also acknowledged that a give and take between abstract theorising and concrete evidence is necessary.

Also, in agreement with the critique of individualism earlier by our feminist theorists, critical realists advocated a shift away from individualism as well. Lawson (2006) argued that the dependency of mathematical-deductivist methods on closed systems necessitates and encourages formulations couched in terms of isolated atoms which exercise their own separate and independent effects. This implies the restriction that the social domain is constituted by sets of isolated atoms, which does not in any case represent social reality. Cohn (2003) echoed Lawson's views through emphasising holism and coherence against methodological individualism in orthodox economics. Similarly, Davis (2006) rejected the atomistic individual conception in favor of a socially embedded individual conception, while we earlier saw Bhaskar (1979), suggesting that society does not consist of individuals, but of the relations within which individuals stand.

3.2 Research Methodology & Methods

In Critical Realism, we have already examined our preferred epistemological and ontological position above. The way our ontological assumptions feed into epistemology and how the epistemological approach has been operationalised through our methodology and methods was critical for the study's objectives. The relationship among these key components is depicted below in figure 3 (Henn et al., 2006).

Figure 3: Relationship between ontology, epistemology, methodology and methods



Source: Henn et al. (2006)

3.2.1 Critical Realist Methodology

Following from the Critical Realist ontological and epistemological position described earlier, Walters and Young (2001) asserted that consequent methodological prescription is straightforward. The objective is to reveal and explain the real underlying mechanisms and powers that govern our social world and elucidate the causal structure between them and perceived phenomena. Then, we suggested the need to qualify these mechanisms and structures through empirical support. In order to achieve this objective, critical realists pursued the process of abduction or retroduction (Peirce 1993; Walters and Young 2001; Bhaskar 1979; Yeung 1997; Brown et al. 2001).

Brown et al. (2001) highlighted that retroduction is a method of abstraction. Yeung (1997) mentioned that abstraction is required in critical realism for three main reasons:

- It is a practically robust way to mirror social structures and generative mechanisms.
- It serves as the conduit towards conceptualising and theorising the real essence, power and mechanism of an object.
- Helps to distinguish external/incidental/contingent from internal/essential/necessary relations between objects and events.

Thus, abstraction can be very useful for identifying the possible causal structures (ibid). Brown et al. (2001) suggested that once the possible causal structures are identified they can be examined at a more concrete level. This is particularly important because only then will we be able to identify the outcome of the active causal mechanism. Yeung (1997) verified that as more empirical evidence is collected, a Realist may revise his abstraction so that the process of iteration continues until no further contradictory evidence is gathered and the suggested generative mechanisms are robust enough to explain the concrete phenomenon. This is the point whereby realistic abstractions have been achieved.

Iterative abstraction is embedded in the Critical Realist process, known as retroduction (ibid). Retroduction describes the process through which an argument ''*moves from a description of some phenomenon to a description of something which produces it or is a condition for it*'' (Bhaskar, 1986; p.11). Alternatively, Yeung (1997) mentioned we should move from pure descriptions of the phenomenon to abstractions of possible causes. To discover these generative mechanisms responsible for empirical behavior, we need to suggest hypothetical entities. Granleese (2009) emphasised that retroduction is an iterative process, which begins with a critique of prior theory regarding the phenomena being studied. From this critique, we may be able to identify potential generative mechanisms that may help to explain the phenomenon. The existence of such mechanisms in practice should then be ascertained through the collection of data on the concrete phenomena.

3.2.2 RESEARCH STRATEGY

Ragin (1994) has outlined seven major goals of social research:

- Identifying general patterns and relationships
- Testing and refining theories
- Making predictions

- Interpreting culturally or historically significant phenomena
- Exploring diversity
- Giving voice
- Advancing new theories

It was discussed earlier that our position lies within critical theories, specifically Critical Realism, which aims to challenge and critique society. This takes place through unveiling the possible underlying mechanisms that reproduce inequalities and qualifying them through empirical evidence. We also highlighted our emphasis on empirical experience and focus on the exploited and oppressed groups through some of the feminist authors. Thus, our goal has been to test and refine by synthesising theory through the concept of governance and power relations as articulated in GVC and some of the feminist authors' power analyses. Methodologically, this has taken place through an iterative process and a give and take between theory and field work. The refinement of theory has been derived through articulating and explaining the causal mechanisms and structures that underline Fairtrade's theoretical and practical limitations to lead to a systemic shift in the way power relations are embedded in the international trading system.

Tallontire (1999) highlighted that the issues raised by Fairtrade also call for a qualitative approach which seeks to probe for depth and require a sensitive approach, which would not be forthcoming with quantitative research methods such as a survey. As Scheyvens and Storey (2003) and Punch (2005) explained, this is also because qualitative research aims to understand the world through empathising with and understanding the actions and situations of its actors. Secondly, qualitative research tends to take place in the field, in natural settings and context (Scheyvens and Storey, 2003). Also, qualitative research is used to develop ideas and theories (Ragin 1994, Scheyvens and Storey 2003, Punch 2005).

Moreover, our articulation of critical realism earlier indicated the need for an integrated approach to our research strategy and consequent methods. As such, utilising both ''objective'' methods (abstraction, quantitative analysis) and narratives as empirical evidence is necessary. Therefore, our approach has been integrative, and in line with Oakley (1998), who highlighted the need for an interdisciplinary approach, we combined ''objectivity'' (associated with abstraction) and ''subjectivity'' (associated with narratives). This way, we feel we have enhanced the explanatory power of the synthesised theory. Other than developing ''richer'' theory through qualitative and quantitative data, Doherty (2010) claimed that quantitative data will also help as means of triangulation.

3.2.3 RESEARCH DESIGN

1. Feminist Grounded Theory – Following on from our goal to test and refine theory and our feminist analyses examined earlier, utilising Grounded Theory for our research design has been a good fit. We will explain this in more detail later but, at this point, we need to highlight that we used the feminist perspective of Grounded Theory and employed the tools and processes of Grounded Theory in coordination with the epistemological and methodological positions of feminist theorists we saw earlier. At this stage, we also need to reiterate that this has taken place without focusing on gender as a research objective, but because feminist analyses are useful in offering a horizontal, constructivist, contextual, reflexive, diverse, micro and bottom-up perspective to power relations.

But, first we need to give an overview of the original Grounded Theory. Wuest (1995) mentioned that Grounded Theory was developed by Glasser and Strauss, who provided the theoretical underpinnings: pragmatism and symbolic interactionism. Although we will use retroduction according to our articulation of critical realism earlier, Glaser and Strauss (1967) originally suggested that Grounded Theory is about theory generation on the basis of data. Also, in contrast to the retroduction we will use, Punch (2005) mentioned that the first main feature was that theory would be developed from data and this would take place inductively, rather than deducing testable hypotheses from existing theories (Charmaz, 2006). However, also consistent with the critical realist philosophy and retroduction, we have intentionally taken a different approach and have done the literature review first in order to identify the potential causal mechanisms, which will in turn inform the development of research questions for data generation. In contrast, Charmaz (2006) suggested that the original Grounded Theory advocated delaying literature review to avoid seeing the world through the lens of extant theories. The second main feature of the original Grounded Theory is that data collection and analysis take place in tandem (Bryman, 2004), unlike traditional research approaches whereby data collection and analysis are distinct stages (Punch, 2005).

As a result, it should be noted that Grounded Theory is both a strategy/design for research and a way of analysing data (ibid). Henn et al (2006; p.199) mentioned that ''*the process of Grounded Theory begins with a desire to understand a research area. Research questions may be broad, with no specific objectives or operationalisation of concepts – these will come as the process unfolds*''. It entails openness to ideas developing and a complete rephrasing of research questions should new data and ideas emerge.

Bryman (2004) distinguished between tools and outcomes in Grounded Theory. The tools are the following:

- **Theoretical Sampling** – Glasser and Strauss (1967; p.45) stated this is the ''*process of data collection for generating theory whereby the analyst simultaneously collects, codes, analyses their data and decides what data to collect next and where to find them, in order to develop their theory as it emerges*''.
- **Coding –** During this process, data are broken down in component parts, which are given names (Bryman, 2004).
- **Theoretical Saturation –** Links the process of data coding and the collection of data, implying there is no further point in reviewing data to see how they fit with concepts or categories, and new data are no longer required in order to illuminate a category or concept.
- **Constant Comparison –** Refers to the process of maintaining a close relationship between data and conceptualisation so that the link between concepts, categories and their indicators is not lost (ibid).

He carried on with outlining Grounded Theory's outcomes:

- **Concepts –** Refers to labels given to phenomena.
- **Categories –** A concept that has been elaborated in a way that reflects real world.
- **Properties –** Comprise the attributes or aspects of a category.
- **Hypotheses** – Initial hunches about relationships between concepts.
- **Theory –** Consists of substantive and formal theory. The first one is applicable to a certain empirical instance, while the second has wider applicability and is at a higher level of abstraction (ibid).

Since Glaser and Strauss's classic statements in 1967, Grounded Theory has developed in somewhat divergent directions (Charmaz, 2006). One of the reasons for this has been several critiques against it. For example, Keddy et al. (1996) highlighted that the main critique focused on the ''positivist'' language it was articulated in. Breckenridge et al. (2012) outlined different methods or versions of Grounded Theory to use: such as the classic (we have just outlined), straussian, feminist or constructivist Grounded Theory.

As stated earlier, we intend to use the feminist perspective of Grounded Theory advanced by Keddy et al. (1996) and Wuest (1995). Keddy et al. (1996) and Wuest (1995) have argued for the compatibility of Grounded Theory and feminism at epistemological and methodological level. Keddy et al. (1996) argued for the benefits of a Feminist Grounded Theory on the basis that it will provide data suitable for deconstructing the contextual discourse, and taking the analysis of the data to a macro level, something which is desirable given our GVC analytical framework. As discussed earlier, Wuest and Merritt-Gray (2001) asserted that commitment to feminist methodology indicates reflexivity, diversity and transformation.

On epistemological level, Wuest (1995) highlighted the consistency between feminist theories and Grounded Theory in recognising multiple sources of knowledge. Grounded Theory's is open to various theoretical perspectives, whilst Critical realism's endorsement of epistemological relativism (on the basis that knowledge is subject to interpretation) is in line with this. We also mentioned earlier our intention to integrate key strands of power analyses from some feminist authors and grounded experience with the world-systems theory and GVC. As such, Grounded Theory's emphasis on grounded data and openness to various theoretical perspectives turns it into the right ''conduit'' that allowed us to go back and forth between theory (world-systems theory and FT) and empirical evidence.

In addition, a Feminist Grounded Theory greatly benefits from the contextual explanatory power of feminism (Wuest, 1995) as according to Wuest and Merritt-Gray (2001), Grounded Theory can produce a storyline that diminishes contradictions and differences. Furthermore, feminist rejection of universal, objective truths and dualistic thinking is aligned to Grounded Theory. Wuest (1995) suggested that Grounded Theory treats subjective knowledge as a valid source of knowledge, while advancing that Grounded Theory accepts theory as process and never as a finished product, involving no separation between the process of theory development and grounded data collection methods. Oliver (2011) added that this is why its tools of open coding, constant comparison and questioning the data are intended to push the researcher beyond received understandings. He also identified an overlap with critical realism in its belief that that all understanding is partial, tentative and temporary (ibid).

On the methodological front, Wuest (1995) suggested that little has been written in Grounded Theory regarding the research relationship. Wuest and Merritt-Gray (2001) suggested that when Grounded Theory is informed by feminist theory, respect for participants and mitigating forms of oppression is a given. As discussed earlier, given the scope of our research, our position has not only reflected full awareness of the powerlessness certain interviewees might have been experiencing, but we have also mitigated through our questions which enhanced the understanding of their situation. However, this has not been as applicable to other interviewees given their current position and power within their organisations. Lastly, with regards to the empowerment and emancipatory ideals of feminism and critical realism, Keddy et al. (1996) suggested that Grounded Theory in the past has been failing to use its result to inform social reform as its goal has not been social and personal transformation. However, Wuest (1995) suggested that this has changed given the easy to understand form, the language of Grounded Theory and its explanatory potential. Furthermore, as we stated earlier, improving understanding and building explanatory theory is a necessary first step towards empowerment, transformation and social change.

2. Case Study Methodology – With Feminist Grounded Theory in the background, our selected research design was based on the case-study methodology. This methodology is also reflective of our goals to synthesise theory through empirical evidence and we feel this has conveyed the narratives of interviewees in the best possible way. We have mainly utilised Yin’s (1994, 2009) approach to case study strategy and design. An analysis of Fairtrade through the case study design also seems to be sensible as per Yin’s following rationale. Yin (2009) suggested the use of case study is useful when the questions are exploratory or explanatory and when the topic involves a complex contemporary phenomenon over which the researcher has little or no control, whereby boundaries between phenomenon and its context are not clear. He also highlights that utilising case studies can provide flexibility and an openness to new avenues of investigation.

Yin (2009) outlined very succinctly the central elements of a robust case study design:

- A study’s questions.
- The theoretical propositions including pointing attention, limiting scope and suggesting possible links between phenomena.
- The units of analysis.
- Logic linking the data to the propositions.
- The criteria for interpreting the findings including iteration between propositions and data.

According to Granleese (2009), the utilisation of case study design is related to the Critical Realist methodology, on the basis of the ‘‘deep’’ level of understanding this approach enables to be achieved. The explanatory aims of Critical Realism we outlined earlier are in line with the case study design, as Yin (2009) suggested ‘‘how’’ and ‘‘why’’ questions are more explanatory and are likely to lead to the use of case studies. Christie et al. (2000) underlined that within the Realism methodology, the case study design is a particularly good fit as it aims to locate generative mechanisms, is well suited for building a rich, deep understanding of new phenomena (such as FT) and allows for the opening up new ideas and interpretations of the phenomena being researched. Lastly, Doherty (2010) mentioned that FT is a new area and building theory from case studies is well suited to new topic areas.

3.2.4 RESEARCH EVALUATION CRITERIA

Despite the obvious advantages of utilising a case study approach for this study, the ultimate success of this endeavor will be assessed against the most prominent criteria for the evaluation of social research: reliability, replication and validity (Bryman, 2004). Yin (1994) agreed and focused on the validity and replication, since reliability as per Bryman (2004) refers particularly to quantitative research. As a result, we need to explain how robust our research will be against replication and validity.

1. **Replication** – Bryman (2004) clarified that replication refers to whether researchers are able to replicate the findings of others. So, if a researcher does not articulate his or her procedures in a good level of detail, replication will be difficult. Grounded Theory's tools and structured processes will facilitate replication as well as Yin's protocol which, according to Tallontire (1999), ensures rigorous research design. We have already outlined Feminist Grounded Theory's tools, so we will now cover the structure we have followed in order to achieve replicability and make our approach to case study design fully transparent. Yin (2009) suggested that a protocol contains the instrument, the rules and procedures to be followed in using the protocol. He asserted that a case study protocol should have the following sections:

- An overview of the case study including objectives, issues and relevant readings.
- Field procedures (credentials, access to sites, language pertaining to the protection of sources of data).
- Study's questions and potential sources for answering each question.
- A guide for the case study report (outline, format for the data, use and presentation of other documentation).

2. **Validity** – Bryman (2004) broke down validity into construct validity, internal validity and external validity.

- **Construct Validity** – Bryman (2004) explained construct validity as the extent to which a measure that is devised of a concept really reflects the concept that is supposed to be indicating. Christie et al. (2000) emphasised that case study research can achieve construct validity through a literature review, use of multiple sources of evidence, establishing a chain of evidence, and having key external informants review case study reports. Multiple sources and triangulation of evidence is also recommended as a technique for construct validity. We will however elaborate on this point in the next section.

- **Internal Validity** – Bryman (2004) suggested that internal validity refers mainly to the issue of causality and whether a conclusion that involves a causal relationship is robust enough. In order to ensure internal validity, Christie et al. (2000) proposed various methods, which we have used, such as cross-case analysis, expert peer review and graphic data representation to demonstrate consistency of information. Furthermore, Yin quoted in ibid, also suggested clear articulation of the unit of analysis and linking of analysis to the theory.
- **External Validity** – The main critique of the case study methodology has been focusing on external validity or generalisability (Granleese 2009, Bryman 2004, Punch 2005). The common criticism refers to the possibility (or impossibility) to generalise through a single case study. Stake quoted in Punch (2005) suggested that despite the counter arguments and exceptions, the argument against single cases and generalisability still holds in the literature. Our aim has also been to broaden the basis of our Fairtrade analysis and evidence across different contexts and organisations, thus utilising a single case study wouldn't have supported this attempt. As a result, we have used multiple case studies in order to provide a robust and varied basis of empirical evidence. In our support, Eisenhardt and Graebner (2007; p.27) proposed that ''*multiple cases also create more robust theory because the propositions are more deeply grounded in varied empirical evidence*''. Ragin (1994) also favored multiple cases over single ones. He suggested that in-depth knowledge is best achieved by researching more case studies because by studying several instances of the same thing, different aspects become more visible. On the same note, Della Porta and Keating (2008) insisted that an in-depth knowledge of a small number of case studies provides a good basis for generalisations that are temporarily limited to the cases studied. Lastly, Christie et al. (2000) indicated that multiple case studies facilitate analytic generalisation into a broader theory and achieve external validity through replication logic and of comparison of evidence.

3.2.5 METHODS

Nonetheless, a robust evidence base was required in order to meet the criteria for the evaluation of our research. To this end, we used a combination of data collection methods inspired by Punch (2005), Scheyvens and Storey (2003) and Yin (2009), in order to gather evidence:

- Individual and group Interviews (typically open-ended and semi-structured).
- Observation (formal or casual) & participant observation.
- Documents and archival records (marketing material, fieldwork studies, commodity market/chain reports)

Consistent with our interpretation of critical realism earlier and Feminist Grounded Theory, we conducted interviews and analysed documents and reports. One of the main research methods we used to collect data has been semi-structured interviews. We felt that in order to understand the underlying generative mechanisms and build FT theory, rich qualitative data will be essential, and these will be derived more effectively through interviews. According to Flick (2002), a semi-structured or semi-standardised interview allows us to collect data from the interviewees that are subjective in nature. The subjective knowledge of the interviewee can be expressed spontaneously through an open question. As Granleese (2009) mentioned, in order to uncover deep underlying mechanisms, we will need to ask ‘‘how’’ and ‘‘why’’ questions, but also ask ‘‘why not’’ and ‘‘what if’’ questions. We should also highlight that we applied snowball sampling during this process to identify additional or interviews or modify our existing list.

In line with our earlier interpretation of Critical Realism, it has been necessary to utilise other methods as well to generate ‘‘richer’’ theory and ensure triangulation and mitigation of bias. Thus, we used documentary evidence in the form of quantitative and qualitative market reports, annual reports, publicity and campaign material from all the organisations, government departments in host countries and other organisations within the cotton and cocoa value chains. We have also obtained strategic planning documents, as well as articles from the media and academic journal articles. As Tallontire (1999) reflected on the importance of documentary evidence, we have used them ahead of interviews in terms of helping us ask the right questions and triangulate views. Yin (1994) argued that a distinct advantage of using multiple sources of evidence is the potential for triangulation and mitigation of bias. We have also conducted group interviews to collect data on the basis of our observations.

3.3 CONCLUSION

The aim of this chapter was to explain how we are going to conduct the research. In line with our argument that ''structure'' (articulated through world-systems, GVC and power perspectives from feminist authors) generates power imbalances, we have demonstrated that a moderate interpretation of critical realism is suitable in order to identify the generative mechanisms that create these power imbalances. This is further facilitated and qualified through the use of empirical evidence.

Following this and building on our goal to synthesise theory, we have argued that a qualitative approach supported by semi-structured interviews and documentary evidence, is best suited in order to analyse Fairtrade through the complex concept of power relations. In turn, we have employed the feminist perspective of Grounded Theory in order to analyse and structure our data and arguments, whilst arguing that a multiple case-study methodology is the most appropriate in order to achieve external validity of our research.

CHAPTER 4 – CASE STUDIES INTRODUCTION

Having examined the way we conducted our research, the aim of this chapter is to introduce our case studies ahead of our findings chapters. In doing so, we explain how we selected our case studies, whilst specifying our research focus through the research questions and unit of analysis.

To this end, we first provide an overview of our case studies swiftly followed by an overview of a typical conventional cocoa and cotton value chain which we will further refine during the following empirical chapters. In turn, we elaborate on our research design and case study methodology through articulating our research questions, unit of analysis and the different levels of our analysis. Lastly, we end this chapter by further developing the rationale for the case study selection and the objectives we set out to achieve.

4.1 CASE STUDIES OVERVIEW

As discussed in the previous chapter, we have pursued a multiple case study methodology in order to enhance our FT analysis as well as achieve replication and external validity. Seawright and Gerring's (2008) typology of case selection techniques focused on typical, diverse, extreme, deviant, influential, most similar, and most different cases. In order to fulfill the research evaluation criteria described earlier and build a ''richer'' analysis of FT, Seawright and Gerring's (2008) diverse case is the most appropriate. Seawright and Gerring (2008) explained that diverse cases primarily aim to achieve of maximum variance along relevant dimensions. Although, we will examine this in more detail later, the relevant dimensions we consider important in order to achieve maximum variance are the type of FT chain/product, FT organisation, and geography. Seawright and Gerring's (2008) suggested that this is considered a distinct advantage as variation is likely to enhance the representativeness of the sample of cases. This usually requires minimum two case studies.

As such, and building on world-systems' and GVC's systemic approach to power imbalances through the GVC analytical framework, we have firstly selected two conventional GVCs, that will provide the context for the following four FT GVC case studies: the cocoa-chocolate (non-industrial) value chain between the UK and Ghana and the cotton-apparel value chain between the UK and India. Following this, we picked two FT GVCs for cocoa-chocolate in Kuapa Kokoo-Divine and Cocoa Life-Mondelez (between the UK and Ghana), and two for cotton-apparel in Chetna Organic-No Nasties and Agrocel-M&S (between the UK and India). We will examine and justify this this in more detail later, but at high-level, these four FT GVCs will comprise our case studies in an embedded research design. We can now see below an overview of a typical conventional cocoa and cotton value chain which we will further refine in the empirical chapters later to reflect the specificity provided by the host countries and organisations involved.

4.1.1 Conventional Cocoa-Chocolate GVC

A typical global conventional cocoa-chocolate (non-industrial) value chain would broadly look like the chain on figure 4 below. We have omitted the role of the government cocoa-related bodies in producing countries as these have been mostly abolished (with Ghana's exception) after the structural adjustment programs and consequent liberalisation of the market. We have also omitted the role and influence of any FT organisations at this stage, but we will introduce this later in the empirical chapter.

Figure 4: Typical Cocoa-Chocolate Value Chain

Cocoa Value Chain	Cocoa Bean Production	Preliminary Processing	Exporting	Trading/ Importing	Processing	Manufacturing	Branding & Marketing
Activities	■ Farming/Planting ■ Growing ■ Harvesting	■ Collecting/Bulking ■ Fermentation ■ Drying/Cleaning	■ Buying ■ Selling	■ Buying ■ Selling	■ Roasting ■ Grinding ■ Pressing/Milling	■ Chocolate manufacturing processes	■ Branding ■ Marketing ■ Advertising
Input	■ Seeds, Inputs	■ Raw cocoa beans	■ Fermented & dried cocoa beans	■ Fermented & dried cocoa beans	■ Fermented & dried cocoa beans	■ Cocoa liquor/butter, sugar, milk, nuts, fruit	■ Chocolate
Output	■ Raw Cocoa Beans	■ Fermented & dried cocoa beans	■ Sold Fermented & dried cocoa beans	■ Fermented & dried cocoa beans	■ Cocoa liquor, butter	■ Chocolate	■ Sold chocolate
Geography & Organisation	■ Local Standalone Smallholders /part of cooperative	■ Local Collectors/Traders	■ Local exporters/multinational	■ International Traders/importers	■ International processors	■ International Chocolate Manufacturers	■ International chocolate companies & Retailers
Size	■ 5-6m cocoa farmers	■ Oligopsonistic	■ Oligopoly/ Monopoly	■ 2-3 global traders	■ 4 global processors	■ 5 UK manufacturers	■ 6 UK supermarkets ■ 5 chocolate companies
Concentration	■ Africa:73%, Americas:13%, Asia:14% ■ Ivory Coast: 40%	■ Africa:73%, Americas:13%, Asia:14% ■ Ivory Coast: 40%	■ Country dependent	■ ADM, Cargill bought into processing and grinding	■ Netherlands:20%, USA:16%, Ivory Coast:12.5% ■ ADM, Cargill, Barry Callebaut, Nestle: 51% of grinded volume	■ UK: Cadbury (20%), Nestle Rowntree (20%), Mars (18%) and Trevor Bassett (10%).	■ 5 biggest supermarket chains in Europe have a market share of about 50%. ■ 5 chocolate companies control more than half of European consumer chocolate market

Source: Author (compiled from USAID 2014, UNCTD 2008, World Cocoa Foundation 2012, Fairtrade Foundation 2011, Kaplinsky 2004, Oxfam 2002)

In relation to governance, the secondary data we have compiled on figure 4 above illustrate a concentrated corporate structure deriving from international traders buying into the processing segment of the value chain, the chocolate manufacturers and within branding and marketing. If we contrast this with the sheer number of cocoa farmers in the first segment of the chain, we could quickly see the relevance with dependency theory's and Wallerstein's (1995) core/periphery concept that explained the relation between relatively monopolised units versus relatively competitive units, which is a high profit/low profit, high wage/low wage antinomy. In line with this, Fold (2002) advanced that most agro-industrial commodity chains are ''buyer-driven'' whilst highlighting the bi-polar governance structure featuring in the global cocoa-chocolate industry. He specifically referred to a few transnational companies in the processing segment and branding (chocolate manufacturers). UNCTAD (2008) agreed there are oligopolies at the middle stages of the chain heading downstream and mentions the balance between trading/processing corporates, branded chocolate manufacturers and global retailers. Furthermore, they underlined the structural imbalance upstream in the cocoa chain between cocoa producers and buyers who are highly concentrated. This asymmetry gives rise to the potential for the exercise of oligopsonistic or monopsonistic power in cocoa purchasing, both at the farm gate and at the international level.

4.1.2 Conventional Cotton-Apparel GVC

A typical global conventional cotton-apparel chain would broadly look like the chain on figure 5 below. Similarly to the cocoa value chain, we have omitted the role of the government bodies related to cotton in producing countries as well as the role and influence of any FT organisations. We will introduce this later in the empirical chapter.

Figure 5: Typical Cotton-Apparel Value Chain

Cotton-Apparel Value Chain	Cotton Production	Preliminary Processing	Trading	Processing	Manufacturing	Branding & Retailing
Activities	■ Farming/Planting ■ Cultivation ■ Harvesting	■ Ginning ■ Warehousing	■ Buying ■ Selling	■ Spinning	■ Weaving ■ Dyeing ■ Designing ■ Convert	■ Cotton manufacturing processes
Input	■ Seeds ■ Fertilisers ■ Pesticides ■ Machinery	■ Raw cotton	■ Lint	■ Lint	■ Yarn	■ Final Garment
Output	■ Raw Cotton	■ Lint	■ Sold Lint	■ Yarn	■ Final garment	■ Sold Final Garment
Geography & Organisation	■ Local Standalone Smallholders /part of cooperative	■ Local growers/Co-ops/private companies	■ Local/national merchants	■ Domestic/ & international processors	■ International manufacturers	■ International Retailers/Branded manufacturers
Size	■ 100 million family units	■ Small/Medium	■ Country dependent			■ Various, e.g. Wal-Mart, Sara Lee, Levis, Gap, Nike
Concentration	■ China:27%, India:22%, US:13%	■ China:27%, India:22%, US:13%	■ Country dependent, but generally not concentrated			■ Not great concentration

Source: Author (compiled from Cotton Connect 2014, Environmental Justice Foundation 2009, UNCTAD 2010, Hutson et al. 2005)

Gibbon (2004) suggested that the cotton value chain is also ‘‘buyer-driven’’. Hutson et al. (2005) agreed and highlighted that there has been a shift in power from textile producers into the hands of retailers (including department stores, specialty retailers like The Gap, and large discount chains such as Wal-Mart and Target) and branded marketers (including Nike). They carried on asserting that discount chains are the most powerful actors in the chain, in terms of being the largest buyers of cotton apparel by volume. As such, the discount chains used low-cost sourcing methods for 100% of their apparel purchases. Also, some retailers of all shades who were the main customers of branded marketers and manufacturers of cotton apparel in the past began to compete directly with textile manufacturers and brands by offering their own private label (or store brand) through establishing their own global sourcing networks. On the other hand, more specialty and upscale retailers like Gap exercise tremendous market power over the value chain through product design, fabric selection and monitoring of production functions. Pan et al. (2008) confirmed that the cotton/textile chain is a ‘‘buyer-driven’’ value chain that contains three types of lead firms: retailers, marketers and branded manufacturers. Similar to the cocoa value chain, If we contrast the above with the number of cotton farmers, we could quickly see the relevance with dependency theory’s and Wallerstein’s (1995) core/periphery concept that explained the relation between relatively monopolised units versus relatively competitive units, which is a high profit/low profit, high wage/low wage antinomy.

4.2 Research Questions & Unit of Analysis

In this context, the overarching and main research questions are outlined below.

To what extent does Fairtrade (FT) lead to a systemic shift in the way power relations are embedded and exercised in the international trading system?

This has been further operationalised into the following four main research questions:

1. How does Fairtrade’s ‘’mainstreaming’’ relate to TNCs corporate sustainability and what are the implications for Fairtrade International’s organisational sustainability?
2. How does Fairtrade shift the power held by nation states over the lives of farmers?
3. How does Fairtrade address the power mechanisms that lead TNCs utilise in ‘‘buyer-driven’’ GVCs?
4. To what extent and in what way has Fairtrade changed the nature of governance relationships between GVC nodes?

Having previously established the multiple sources of evidence and data collection methods we have used in order to answer our research questions for the selected case studies, it is time now to clearly define the unit of analysis and elaborate on our case study design we have outlined in the previous chapter. Gereffi et al. (2001) suggested that by focusing on the chain or organisational network as the unit of analysis, rather than the firm, interesting questions about power, governance and the dynamics of chains emerge. Therefore, and consistent with our GVC analytical framework, overview of case studies and research questions, our unit of analysis is the conventional and FT global value chain governance.

As such, the conventional and FT vertical value chain governance and power relations is analysed in two levels. Firstly, on a macro/chain level, we have looked at the FT cotton-apparel and cocoa-chocolate value chain governance in Ghana-UK and India-UK, as exercised by lead TNCs and Nation States. We have also contextualised and contrasted the four FT GVCs outlined earlier and their associated governance structure with their broader context, which is the governance structure of the conventional cotton and cocoa value chains in the same geographies. Secondly, on a micro/firm level, Gereffi and Fernandez-Stark (2011) earlier stated that firms that participate in the chain will help us to understand its governance structure. Therefore, by examining these four GVCs (Divine-Kuapa Kokoo, Mondelez-Cocoa Life, No Nasties-Chetna Organic, M&S Plan A-Agrocel) on a more micro, firm-level through the lenses of these organisations and the impact that their involvement in FT has on the relations with other organisations in each node of their chain, we have provided a further level of examination or unit of analysis in an embedded research design.

Besides examining chain relations between nodes, in line with the previously mentioned feminist theorists' focus on horizontal relations, we have also examined key horizontal relations, such as the one between FTI and TNCs/FTOs, and to some extent, smaller and larger cooperatives on the basis of FT's cost of certification, but also the role of marginalised groups, such as women within cooperatives. These horizontal power relations have been contextualised against horizontal power relations prevalent in the conventional GVC, such as the one between farmers and LBCs purchasing agents in Ghana, as we further examine during our empirical chapter. Examining these relations as well as contrasting the governance of the FT chains with the conventional governance of the value chain on a macro level has not only highlighted the impact of FT participating organisations on the power relations and governance structures embedded in conventional global value chains, but it has also allowed comparisons between the organisations implementing FT and the value chains in question.

Yin (1994) suggested that embedded designs include multiple units of analysis on different levels and look for consistent patterns of evidence across units, but within a case. Yin (2009) warned against the danger of focusing only on the subunit level and failing to return to the larger unit of analysis. In order to mitigate this, we have collected data from the embedded units (the relations between firms in nodes of the chains resulting from the organisations' involvement with FT), but we have also contrasted and cross-examined it with the larger unit, the governance across the conventional and FT cotton and cocoa value chains. De Vaus (2001) justified our embedded research design selection by saying that a well-designed case study will avoid examining just some of the constituent elements. He argued that the information will come from many different levels providing this way a richer qualitative story than each constituent element in isolation could tell us. Roberts and Bradley (1999) agreed that in keeping with the system perspective (value chain) focusing on the relationship instead of an entity makes sense as the bond is more important that the entity and its characteristics.

From the sources above, it is evident we have stressed the importance of the context in this analysis. This is necessary for two reasons. Firstly, as Granleese (2009) stated, the importance of context in development research is paramount. Secondly, our literature review highlighted that the asymmetric power relations within commodity chains are embedded within the international trading system, of which FT is part of. Furthermore, Tallontire (1999) argued that fair trade is a critique of conventional or unfair trade. She asserted that at a macro level, fair trade focuses on the concentration of economic and political power in the hands of Northern institutions culminating in an uneven playing field mostly for small scale producers in the South. Thus, it has been fundamental to maintain the systemic and contextual elements at the centre of our data collection and analysis.

4.3 Case Studies Selection Rationale

In articulating our research questions and unit of analysis earlier, we referred to FT organisations M&S Plan A-Agrocel and No Nasties-Chetna Organic in relation to cotton-apparel and Mondelez-Cocoa Life and Divine-Kuapa-Kokoo in relation to cocoa-chocolate. We have also earlier quoted Seawright's and Gerring's (2008) case selection typology and have chosen the diverse case with its relevant dimensions as type of organisation, product and geography as the most appropriate in order to achieve maximum variance. It's time now to elaborate on why we have chosen these specific FT organisations and cases.

In order to explain our rationale, it is necessary to first remind ourselves of the different types of organisations involved in fair trade and implementing the principles of FT with more or less success, or genuine commitment. To this end, in chapter 2, we mentioned there are six groups: Producer Organisations/Promoting Bodies in Southern countries, Alternative Trade Organisations (ATOs)/Fair trade organisations, Fairtrade organisations, Network and Umbrella Organisations, Profit-oriented TNCs, Fairtrade Social Enterprises (FTSE). Therefore, building on Seawright and Gerring's (2008) diverse case and its relevant dimensions as type of organisation, product and geography, we have selected the four GVCs (case studies) outlined above through a variety of organisations from within the FT typology above in order to achieve the following three objectives:

a. **Build theory through a variety of FT organisations** – The maximum variance along the organisational dimension will only be achieved if we select diverse organisations. As per fair trade groups and organisations above and the two cotton-apparel GVCs above, exploring the first cotton-apparel FT GVC with No Nasties (as a hybrid between an FTSE and a profit-oriented business) and Chetna (development-oriented producer organisation) against the second FT GVC with M&S Plan A (as a profit-oriented TNC) and Agrocel (profit-oriented promoting body), will allow a degree of variance. The variance can be demonstrated on the basis of the profit or development orientation at producer level and on the type of organisation (hybrid or profit-oriented business) at marketing level.

Similarly, for the cocoa-chocolate FT GVCs, the first FT GVC with Divine (as an FTSE) and Kuapa Kokoo (development-oriented producer organisation) against the second FT GVC with Mondelez (as a profit-oriented TNC) and a newly formed Cocoa Life cooperative (profit-oriented producer organisation), will work towards the same end. The variance here results from the type of organisation at marketing level and the profit or development orientation at producer level.

The variety of FT organisations will also allow us to examine entire GVCs from different organisational perspectives. As for the Fairtrade organisations and the Network and Umbrella Organisations, they have more of an enabling and coordinating role, thus there wouldn't be as much benefit for our analysis from using them as the embedded unit of analysis. Nonetheless, we have also interviewed them in order to obtain their perspective on the horizontal power relations at chain and chain node level. Furthermore, selecting multiple FT organisations at various levels of depth and analysis has allowed us to examine and critique FT through a wide range of organisational goals, as seen in Figure 6 below. This has also allowed us to triangulate perspectives and data.

No Nasties-Chetna Organic – No Nasties were chosen on the basis of their hybrid model which is profit-oriented whilst strongly positioning themselves as a 100% organic and Fairtrade brand. At the same time, the fact that they have only been operating since 2011 and are very limited in scale has generated interesting comparisons with a sizeable and more established brand like M&S. They were also chosen for practical reasons due to the unavailability or lack of willingness of other smaller organisations to be interviewed. At the bottom of the chain, Chetna was selected as one of the organisations No Nasties is working for, on the basis that they predominantly source from them, but also because of Chetna's NGO status and reputation that provided significant variance when comparing to Agrocel.

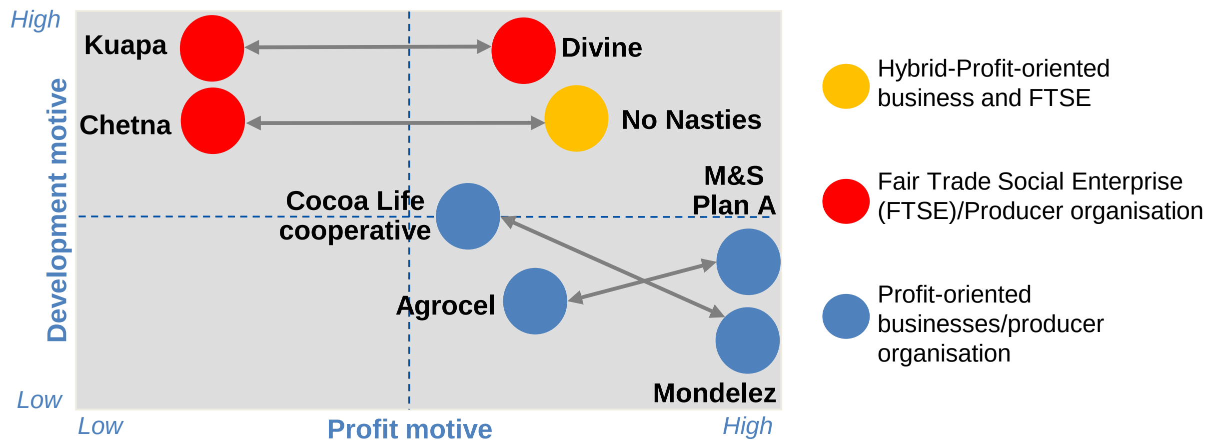
M&S Plan A-Agrocel – The rationale for picking Marks & Spencer (M&S) Plan A, which comprises our selected organisation in relation to the cotton value chain within FT's Profit-oriented TNCs type, is that it has a significantly greater drive for profitability than No Nasties. It's also very different in terms of size and purchasing power. Also, M&S Plan A was selected on the basis of their reputation in the business world and among sustainability/corporate social responsibility professionals for their Plan A. M&S's website (2013) explained that Plan A is a sustainability strategy that encompasses commitments across five different areas: Climate change, waste, natural resources, health and wellbeing and Fair partner. M&S's intention is to integrate Plan A into every aspect of the operations – including the products M&S develops and sells, the stores they build or refit and the way they work with our suppliers and engage their employees.

With regards to Fairtrade, M&S state ''*we're only as strong as the communities in which we trade, so it makes good sense for us to be a fair partner – paying a fair price to suppliers, supporting local communities and ensuring good working conditions for everyone involved in our supply chains*'' (ibid). Consequently, Agrocel was chosen on the basis that they have been supplying M&S since M&S introduced FT, and that they provide significant variance to Chetna on the basis of their profit orientation.

Divine Chocolate-Kuapa Kokoo – Divine Chocolate and Kuapa Kokoo were selected due to their bottom-up model and their reputation. Another reason is related to the difference of their model compared to Mondelez's. This is linked to the organisational motivations but also the significant scale difference. Practicalities played a significant role here as well, as there is plenty of secondary data for Divine as opposed to other organisations and interviewees who were not forthcoming.

Mondelez-Cocoa Life – Mondelez were chosen mainly because of their significant investment in cocoa sustainability through their Cocoa Life programme, which included FT. What has also been interesting is the drive for profitability and relative scale as opposed to Divine.

Figure 6: FT Organisation vs. perspectives/goals



Source: Author

b. **Achieve product spread** – Whilst achieving product spread is important for triangulation and building a ''rich'' theory, it is also important because in this way we can compare power relations and organisations across different GVCs. At the same time we also wanted to ensure that we cover products that have been achieving various performances in terms of FT sales and growth within Fairtrade. It has also been important to pick products which are in different parts of their product lifecycle within FT and cover both food and non-food products in order to highlight different realities.

Hence, Divine-Kuapa Kokoo and Mondelez-Cocoa Life represent food products. Chocolate and cocoa have been long-standing products of the FT network with sales recorded since 2002. According to the Fairtrade Foundation (2013) as per Table 3 below, in 2012, chocolate and cocoa products were the second and third products in terms of overall sales of Fairtrade certified products in the UK. Also, FT cocoa products and FT chocolate sales have grown at approximately 50% and 31% respectively over 2011.

On the other hand, No Nasties-Chetna Organic and M&S Plan A-Agrocel represent non-food products. Cotton has not been involved in FT as long as cocoa and chocolate (ibid). As per table 3 below, cotton was the sixth product in 2012 in terms of overall sales of Fairtrade certified products in the UK. Also, FT cotton sales have contracted by 3.5% over 2011 and by 50% since their peak in 2008.

Table 3: Estimated UK retail sales of Fairtrade certified products-2002-2012 (£ million)

Product/ Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Coffee	23.1	34.3	49.3	65.8	93	117	137.3	160	179.8	193	192.4
Tea	7.2	9.5	12.9	16.6	25.1	30	64.8	70.3	82.6	87.1	79.7
Cocoa products	3.9	7.3	9.6	13.2	16.4	25.6	25.6	44.5	162	212.8	320.9
Sugar products	5.7	8.7	14.3	19.5	23.7	50.6	107.7	164.6	384	441.7	549.1
Honey products	4.9	6.1	3.4	3.5	3.4	2.7	5.2	3.6	6.8	3.8	3.6
Bananas	17.3	24.3	30.6	47.7	65.6	150	184.6	215.5	206.6	210.9	242.5
Flowers	n/a	n/a	4.3	5.7	14	24	33.4	30	27.6	26.4	23.7
Wine	n/a	n/a	1.5	3.3	5.3	8.2	10	18.1	18.5	21.8	23.9
Cotton	n/a	n/a	n/a	0.2	4.5	34.8	77.9	73.2	51.7	41	39.6
Fresh Fruit	0.1	1	5.9	8.5	17.6	28	32.2	24.3	15.5	12.5	12.3
Fruit Juices	0.8	1.1	2.3	4.6	7.7	13.8	21.1	13.1	15.2	16.1	14.5
Other	n/a	n/a	6.7	6.4	10.1	8.3	21.8	26.2	23.5	27	28
TOTAL	63	92.3	140.8	195	286.3	493	712.6	843.4	1173.8	1294.1	1530.2
Year-on-Year Growth	**25%**	**47%**	**53%**	**38%**	**47%**	**72%**	**45%**	**18%**	**39%**	**10%**	**18%**
Chocolate	6.2	9.2	13.7	18.4	23.2	35.8	38.3	88.6	346	413.1	542.4

Source: Fairtrade Foundation (2013)

c. **Achieve geographical/regional spread** – The combination of cocoa from Ghana and cotton from India is giving us a good geographical spread that allows for generalisations to theory and a robust analysis of FT.

4.4 CONCLUSION

The aim of this chapter was to introduce our case studies whilst outlining the research questions, elaborating on the focus of our research and articulating the rationale for the selection of our case studies. To this end, in order to build ‘‘richer’’ theory and achieve external validity of our research, we pursued maximum variance within the FT chain/product, FT organisation, and geography dimensions. To this end, we have selected four FT GVCs as case studies: Two of them in Ghana-UK for cocoa-chocolate, in Kuapa Kokoo-Divine and Cocoa Life-Mondelez, and two in India-UK for cotton-apparel, in Chetna Organic-No Nasties and Agrocel-M&S.

Since, the overarching research question is on the systemic shift in the way power relations are embedded in the international trading system, all of our case studies have been considered in the context of their respective conventional GVCs. Through utilising value chain governance as our unit of analysis, we have examined conventional and FT vertical value chain governance and power relations at two levels: a. GVC/macro-level, through analysing value chain governance and power relations as articulated by lead TNCs and States, and, b. GVC node/micro-level, through analysis of firm governance relations between each node of the chains.

But besides examining vertical chain relations, in line with the previously mentioned feminist theorists' focus on horizontal relations, we have also examined key horizontal relations, such as the one between FTI and TNCs/FTOs, and to some extent, smaller and larger cooperatives on the basis of FT's cost of certification, but also the role of marginalised groups, such as women within cooperatives. These FT horizontal relations have also been analysed in the context of the conventional GVCs horizontal relations, such as farmers and LBC purchasing agents in Ghana.

Chapter 5 – Findings: Cocoa-Chocolate GVCs (Ghana-UK)

Having introduced our case studies, the associated methodology and the research questions, the aim of this chapter is to explore the research questions for the cocoa-chocolate GVCs between Ghana and the UK. To this end, after describing the conventional and the two FT GVCs, we structure our analysis according to the four key themes that emerged through a combination of our literature review and fieldwork that were outlined in the introduction:

1. Sustainability – Driven by FT's ''mainstreaming'' and working with TNCs. This was further enhanced by our fieldwork, whereby the concept of corporate sustainability was often mentioned in relation to FT's mainstreaming and the sustainability of Fairtrade International.

2. Political – Driven by the strong role of the nation state as a mechanism that enables capital accumulation as per Wallerstein and FT's notion of empowerment we outlined earlier. This dimension was also further enhanced through our fieldwork whereby we were constantly being reminded of the strong role of the state and politics across our case studies.

3. ''Buyer-driven'' – Articulated by the power that TNCs exercise and derived from GVC's ''governance as power'' concept.

4. Chain Relations and Coordination – Demonstrated by the types of governance structures we earlier outlined through GVC's ''governance as coordination'' concept.

In light of this, we examine the sustainability key theme, firstly through the lenses of corporate sustainability and then through FTI's organisational sustainability. Following this, we examine the political dimensions of the GVCs through the various functions Cocobod undertakes, as well as the role the Ghanaian government plays in relation to cocoa. In turn, we discuss the opportunities to add value in relation to the political dimension and we end the ''political crop'' key theme with a discussion on farmer organisation and empowerment across the conventional and FT chains. Also, we look at the ''buyer-driven power structure'' key theme, through the power mechanisms our interviewees most often cited in relation to the GVCs and FT: customer demand, purchasing power, value added, profitability and organisation. Lastly, we look at the ''chain relations and coordination'' key theme through analysing the governance structure between the nodes of each chain, from farmer to consumer.

5.1 Description of GVCs

To this end, this section sets off by outlining the conventional value chain followed by the FT value chains from Kuapa Kokoo-Divine and Cocoa Life-Mondelez.

5.1.1 CONVENTIONAL GVC

We will first outline the conventional cocoa-chocolate value chain between Ghana and the UK, as described through the entirety of our interviews and secondary data in figure 7 below. Building on the typical conventional chain we presented earlier, one of the first things we are able to observe is the inclusion of the Ghanaian Cocoa Board (Cocobod) in the chain through a variety of activities, such as financing, quality control, pricing and external marketing. This is a strong indication of Cocobod's role in the country, but also as the main point of contact to organisations in the UK.

Figure 7: Ghana-UK Cocoa-Chocolate Conventional GVC

Cocoa-Chocolate Conventional Value Chain	Cocoa Bean Production	Internal Marketing & Trading	Financing & External Marketing	International Trading & Processing	Branding Marketing & Retailing
Activities	■ Farming/Planting ■ Growing ■ Harvesting ■ Collecting/Bulking ■ Fermentation ■ Drying/Cleaning	■ Buying ■ Selling	■ Financing ■ Quality Control ■ Pricing ■ Exporting	■ Trading ■ Roasting ■ Grinding ■ Pressing/Milling ■ Chocolate manufacturing	■ Branding ■ Marketing ■ Advertising ■ Retailing
Input	■ Seeds, Inputs	■ Fermented & dried cocoa beans	■ Fermented & dried cocoa beans	■ Fermented & dried cocoa beans ■ Cocoa liquor/butter, sugar, milk, nuts, fruit	■ Chocolate
Output	■ Raw Cocoa Beans ■ Fermented & dried cocoa beans	■ Sold Fermented & dried cocoa beans	■ Sold Fermented & dried cocoa beans	■ Cocoa liquor, butter ■ Chocolate	■ Sold Chocolate
Geography & Organisation	■ Local Standalone Smallholders	■ Local Buying Companies (LBCs)	■ Ghanaian Cocoa Board (Cocobod)	■ Vertically integrated international traders/processors ■ Local Processors	■ International chocolate Brands ■ International Retailers

Source: Author (compiled from interviews, USAID 2014, UNCTD 2008, World Cocoa Foundation 2012, Fairtrade Foundation 2011, Kaplinsky 2004 and Oxfam 2002)

In order to contextualise Cocobod's role, it should be noted that Ghana, unlike other West African countries, went only through a process of partial liberalisation in the backdrop of market failures advocated by neoliberal policy doctrines that advanced full liberalisation. As such, Cocobod maintained institutional control over the functions we will see in more detail during the ''political crop'' key theme (Granleese, 2008). We should also highlight that the complexity of the chain and activities undertaken in combination with organisational strategies have generated various chain combinations. This complexity derives from vertical integration, since we have international traders who may be standalone, integrated forward in processing or backward as a local buying company (LBC). We also have brands who undertake more or less of the manufacturing of chocolate themselves. For these reasons, we have simplified the chain by using five main nodes and listing a variety of activities below, as per our interviewees' suggestions. We should note that we haven't included input providers or organisations who exercise horizontal governance, such as FTI or the national farmers' association. We will, however attempt to provide this level of analytical rigor through our analysis in the ensuing key themes.

Although we will elaborate on most processes that take place in this chain during the course of the ensuing chapter, at high level, according to figure 7 and FAO (2013), cocoa production is based on smallholders who grow cocoa mostly on plots of 2-3 hectares. After harvesting, fermentation and drying, the beans are sold to local purchasing agents of the local buying companies (LBCs) at village level. Then, quality control is carried out by Cocobod's Quality Control Division (QCD) which undertakes grading and sealing of cocoa into export sacks, which are in turn sold by the LBCs to Cocobod. Cocobod then exports them through its subsidiary, the Cocoa Marketing Company (CMC) Limited. In parallel, prices for farmers are predetermined by the government in a process backed by forward sales of cocoa and financing. After beans are exported, international processors undertake a process of grinding and roasting that leads to cocoa butter/liquor which then is further processed and turned into chocolate for consumers with the addition of nuts, sugar or milk depending on the recipe. After this stage, branding and marketing takes place whilst chocolates are marketed in retail shops and mainly supermarkets.

5.1.2 KUAPA KOKOO-DIVINE FT GVC

Following the description of the conventional value chain, we will now be outlining the FT chain that includes Kuapa Kokoo and Divine Chocolate. Divine Chocolate is a chocolate company co-owned by Kuapa Kokoo's cocoa farmers that produces and sells FT chocolate in the UK. Social Enterprise Coalition (2011) mentioned that in the early 1990s, Kuapa Kokoo, a farmers' co-op was set up by a group of cocoa growers in Ghana, to trade its own cocoa, and thus manage the selling process more efficiently than government cocoa agents. Then, the cocoa farmers decided to invest in a chocolate bar of their own in 1997 (Divine Chocolate, 2011). In 1998, Kuapa Kokoo, Twin Trading, The Body Shop, Christian Aid and Comic Relief came together to launch Day Chocolate Company which was later re-named Divine Chocolate (Social Enterprise Coalition, 2011). Divine's business model is to produce and sell 100% FT chocolate bars at the mass UK market. (Clearly So, 2011). To add to this, interviewee 12-ex-chair of Divine-informed us that Kuapa Kokoo have also set up their own LBC, Kuapa Kokoo limited, to buy cocoa off Kuapa's members.

As we are able to see from figure 8 below, when compared to the conventional chain above the main differences are:

- **Farmer Organisation –** The introduction of a chain node between cocoa bean production and internal marketing & trading that involves farmer organisation in a democratically-run cooperative. We will examine Kuapa's organisation and associated empowerment activities in detail during the ''political crop'' key theme.
- **Setting up a LBC –** Instead of selling to other LBCs, the farmers of Kuapa decided to set up their own LBC (Kuapa Kokoo Ltd) to purchase their cocoa.
- **Fairtrade Processor –** Divine's chocolate is produced in Germany (Ryan, 2011).
- **Retailing/Branding** – Although retailing and branding still takes place, branding is undertaken by Divine in the form of a new entrant and 100% FT brand in the market accompanied by the FT mark, who sells via conventional UK retailers and their channels.

Figure 8: Ghana-UK Kuapa-Divine Cocoa-Chocolate FT GVC

Kuapa Kokoo-Divine FT Value Chain	Cocoa Bean Production	Farmer Organisation	Internal Marketing & Trading	Financing & External Marketing	International Trading & Processing	Branding Marketing & Retailing
Activities	■ Farming/ Planting ■ Growing ■ Harvesting ■ Collecting/ Bulking ■ Fermentation ■ Drying/ Cleaning	■ Health ■ Education ■ Farmer support ■ Community investment	■ Buying ■ Selling	■ Financing ■ Quality Control ■ Pricing ■ Exporting	■ Trading ■ Roasting ■ Grinding ■ Pressing/Milling ■ Chocolate manufacturing	■ Branding ■ Marketing ■ Advertising ■ Retailing
Input	■ Seeds, Inputs	■ Twin Trading programme ■ Financial	■ Fermented & dried cocoa beans	■ Fermented & dried cocoa beans	■ Fermented & dried cocoa beans	■ Chocolate
Output	■ Raw Cocoa Beans ■ Fermented & dried cocoa beans	■ Democratic process ■ Empowerm ent	■ Sold Fermented & dried cocoa beans	■ Sold Fermented & dried cocoa beans	■ Cocoa liquor, butter ■ Chocolate	■ Sold Chocolate
Geography & Organisation	■ Local Standalone Smallholders	■ Kuapa Kokoo	■ Kuapa Kokoo Ltd	■ Ghanaian Cocoa Board (Cocobod)	■ International FT Licenced trader ■ International Processor-Cord family	■ Divine Chocolate ■ International Retailers

Source: Author (compiled from interviews)

5.1.3 COCOA LIFE-MONDELEZ FT GVC

We will now be outlining the FT chain that involves Mondelez's Cocoa Life programme. Before we discuss this value chain, it would be useful to outline the key elements of the programme. Interviewee 17-a director from the Cocoa Life-Mondelez GVC-told us that:

> ''*Cocoa Life is a significant investment worth £400 million, which represents the way we approach sustainability and sustainable cocoa sourcing. It has a holistic farmer focus and is committed to partnerships across the entire supply chain in order to deliver the programme*''.

To this end, the holistic focus can be demonstrated by the five key outcomes they strive to achieve:

- **Sustainable yield –** This is the most important outcome that drives the programme. It seeks to increase yield by addressing production and productivity mainly through input provision, training and good farming practices.
- **Additional livelihoods** – This aims to diversify farmers' income through agricultural and non-agricultural activities. Farmers are encouraged to undertake these activities in addition to the cocoa farming.
- **Community development** – This is related to building schools, access to health facilities and other initiative the community fee are worth undertaking.
- **Youth** – This is meant to address the sustainability of cocoa production through encouraging and motivating youth to stay in cocoa farming. It also aims to prevent child labour.
- **Environment** – Aims to maintain the natural resources that guide the development of farms (ibid).

According to interviewees 29-project facilitator & district lead from the Cocoa Life-Mondelez GVC-in order to deliver these ambitious outcomes, Mondelez have pursued a partnership approach. Firstly, they have struck partnerships with Care, VSO and World Vision who are Cocoa Life's implementing partners in different geographical areas. They are responsible for implementing, mobilising partners, coordinating and stakeholder management. They have also partnered with Cocobod in two levels: The first one is linked to policy and addresses child labour, while the second one relates to improving farming practices though extensions, education curriculum and training, and cocoa research. The third partner is the department of co-operatives that trains co-operative members to organise democratic organisations. Finally, interviewee 32-a corporate responsibility and sustainability head of cocoa from a prominent LBC-told us that Mondelez was in the process of collaborating with various LBCs including themselves in order to further secure their supply of conventional cocoa. These LBCs are part of international trading groups, such as Olam and Armajaro. As such, it is obvious that the Cocoa Life, of which Cocoa Life-Mondelez FT GVC is part of, goes ‘‘beyond FT’’ in order to secure Mondelez’s security of supply.

In relation to Cocoa Life-Mondelez’s value chain, interviewee 19-manager from the Cocoa Life-Mondelez GVC-told us that Mondelez buy conventional, Fairtrade and Rainforest Alliance (RA) cocoa through their purchasing arm, Taloko. They buy from international traders who in turn buy from Cocobod’s CMC. Taloko sourced 75% of its FT cocoa in 2014 from Kuapa Kokoo and 25% from their Cocoa Life cooperative. Since they don’t have their own LBC like Kuapa Kokoo, they encourage their farmers to pick one LBC and work with them. The majority of the Cocoa Life farmers sell to Produce Buying Company (PBC), which is a Local Buying Company (LBC) with the highest market share (35%), according to interviewee 44-an operations manager for PBC. Once they buy cocoa, this is shipped to Barry Callebaut who process their cocoa beans into chocolate as per Mondelez’s conventional chain.

As we are able to see from figure 9, when compared to the conventional chain and the FT Kuapa Kokoo-Divine chain the main differences are:

- **Farmer Organisation** – The introduction of a chain node between cocoa bean production and internal marketing and trading that involves farmer organisation in a democratically-run cooperative. We will examine the difference between Cocoa Life’s cooperative and Kuapa Kokoo’s organisation and associated empowerment activities in detail during the ‘‘political crop’’ key theme.
- **Procuring from various sources** – Taloko is sourcing from Kuapa Kokoo and Cocoa Life’s cooperative and they are also encouraging farmers to sell to PBC. In the meantime, beyond FT, they are implementing programmes with various LBCs to secure their supply of conventional cocoa.
- **Retailing/Branding** – Branding still takes place in the form of the existing brand name and packaging with the added FT label on the product. This is the main difference with Divine Chocolate who sell via their own new entrant 100% FT brand. Nonetheless, retailing is also undertaken through the same conventional chain and channels.

Figure 9: Ghana-UK Cocoa Life Cocoa-Chocolate FT GVC

Cocoa Life FT Value Chain	Cocoa Bean Production	Farmer Organisation	Internal Marketing & Trading	Financing & External Marketing	International Trading & Processing	Branding Marketing & Retailing
Activities	■ Farming/ Planting ■ Growing ■ Harvesting ■ Collecting/ Bulking ■ Fermentation ■ Drying/ Cleaning	■ Farmer training ■ Input provision ■ Diversified income ■ Community development	■ Buying ■ Selling	■ Financing ■ Quality Control ■ Pricing ■ Exporting	■ Trading ■ Roasting ■ Grinding ■ Pressing/Milling ■ Chocolate manufacturing	■ Branding ■ Marketing ■ Advertising ■ Retailing
Input	■ Seeds, Inputs	■ Financial resources ■ Programme management	■ Fermented & dried cocoa beans	■ Fermented & dried cocoa beans	■ Fermented & dried cocoa beans	■ Chocolate
Output	■ Raw Cocoa Beans ■ Fermented & dried cocoa beans	■ Farmer organisation ■ Training	■ Sold Fermented & dried cocoa beans	■ Sold Fermented & dried cocoa beans	■ Cocoa liquor, butter ■ Chocolate	■ Sold Chocolate
Geography & Organisation	■ Local Standalone Smallholders	■ Implementing partners ■ Cocoa Life cooperative ■ Cocobod ■ Kuapa Kokoo	■ PBC ■ Other LBCs	■ Cocobod	■ Taloko ■ Barry Callebaut	■ Mondelez ■ Retailers

Source: Author (compiled from interviews)

5.2 Sustainability

The main argument in this key theme on sustainability builds on fair trade's historical evolution and ''mainstreaming'' discussion we presented in chapter 2. We then suggested that the strategic re-orientation of fair trade's network away from the fair trade movement and an alternative trading system to rely on and work within the existing trading system and TNCs (through FT), was critical for its future success. Our argument also builds on the drive for capital accumulation advanced by world-systems theory also in chapter 2.

To this end, through the analytical lenses of the GVC approach and our power analyses, we focus on the importance of contextual factors and power exercised by TNCs in shaping Fairtrade. As such, this key theme builds on what we have discussed in chapter 2, whereby Gereffi (1994) utilised the ''buyer-driven'' concept to describe the vertical power exercised by large buyers on the way GVCs, and in this case, FT operate. To the same end, we also refer to our feminist power analyses lenses in order to identify and describe the horizontal power relations between the FT Foundation, FTI and FTOs or TNCs, as well as to understand the differences between smaller and bigger cooperatives at a high level. On the basis of Gereffi and Fernandez-Stark (2011), we build on the institutional context that GVCs are embedded in, in particular within local economic, social and institutional dynamics that we ought to investigate if we are to comprehensively understand the role of FT in the cocoa value chain in relation to the contextual conditions that shape existing power relations in the GVCs in question.

In light of this, during the course of this section we discuss the following: Firstly, we discuss corporate sustainability, which is underpinned be a strong profit motivation. Following this, we discuss FT in the context of security of supply concerns by TNCs which has led to multiple productivity-led sustainability programmes in Ghana. Secondly, we focus on FTI's organisational sustainability through its approach that discusses its scope, top-down approach and cost of certification. Following this, we analyse FTI's licensee-based business model and its shift of focus beyond certification. Lastly, we cover the competitive intensity that FT has been experiencing as a result of the decision to go ''mainstream''.

5.2.1 Corporate Sustainability

In relation to FT, sustainability has been highlighted as a key theme during our interviews in particular by two ex-sustainability directors of big chocolate brands and a logistics manager of an international trader/processor[4]. They highlighted two main facets: the first one refers to positioning

[4] Interviewees 9, 11 and 33.

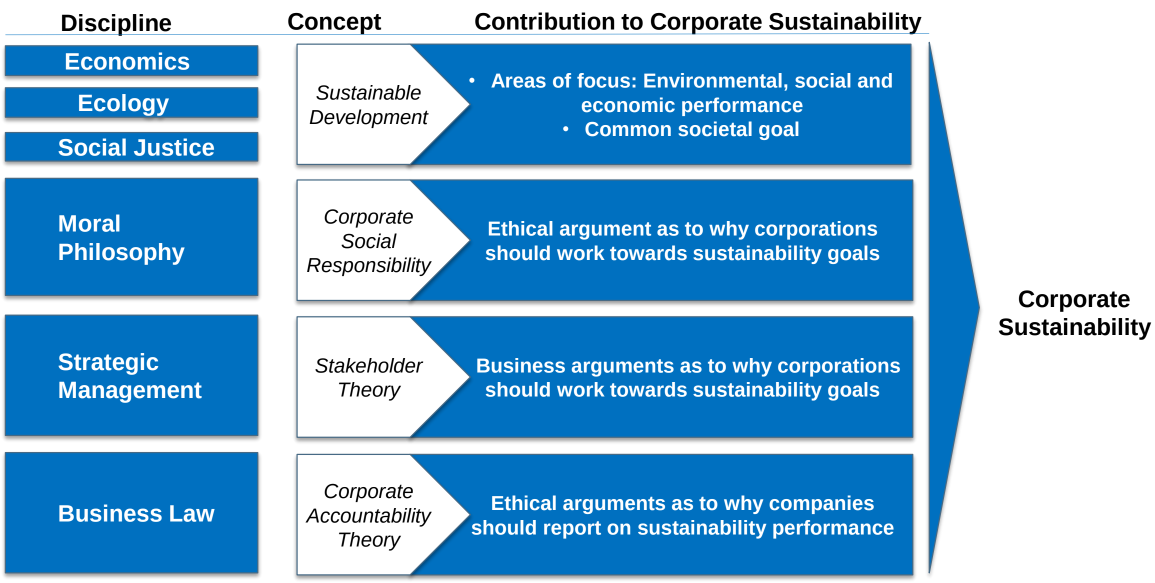
FT in relation to a corporate sustainability perspective, whilst the second one puts FT in its context by outlining ongoing sustainability programmes that have been taking place in Ghana as a result of concerns over security of supply.

1. **Profit-driven Corporate Sustainability –** As discussed in chapter 2, fair trade network's choice to work within the existing trading system and its agents-TNCs had important implications. As Fridell (2006) explained, this shift meant that the fair trade network would now have a more moderate vision aimed at reforming the existing trading system on the basis of voluntary commitments from corporations (through FT). Working with TNCs though, who have been responsible for structuring an unequal global economy, presents its own challenges (ibid). Fridell (2004; p.423) further underlined that ''*TNCs are concerned only with the need to protect their public image for the sake of profitability*''. This is in line with our discussion in chapter 2 around the drive for capital accumulation advanced by the world-systems theory.

As such, through the course of this section, we argue that big chocolate TNCs (including Mondelez and others who source cocoa from Ghana) strive to fulfill commercial objectives and have a strong business agenda in place in order to achieve this. Since FT has chosen to work with them, FT will inevitably have to mirror their approaches and incur the consequences, which are predominantly driven by profit considerations that ultimately have had an adverse effect on FT's relevance to them. In this context, FT was initially viewed by big chocolate TNCs as a certification that was focusing on compliance to a set of social standards. As such, it was initially positioned as an ''add-on'' to an already existing business agenda. Later on though, big chocolate TNCs broadened their scope and utilised the concept of sustainability in order to essentially test every social and environmental initiative against its outcomes through a more prominent commercial angle in line with their drive for profit and capital accumulation. This was predominantly driven by their stronger considerations about security of supply, brand reputation, differentiation and addressing customer trends. As a result, this has further confirmed the primacy of the profit motivation of big chocolate TNCs and led in FT being further demoted as a small part in a broader sustainability agenda, whereby it was ultimately unfavorably assessed against highly commercial-oriented criteria due to its predominantly social orientation.

On this note, and before providing the evidence that supports this argument, it would be useful to briefly contextualise and provide a brief overview of corporate sustainability. Wilson (2003) suggested that corporate sustainability is an evolving concept which presents an alternative to the traditional growth and profit-maximisation model. While it recognises that corporate growth and profitability are important, it also requires the corporations to pursue social goals, environmental protection and economic development. He further suggested that the term is often used in conjunction with, and as synonym for, other terms like ''sustainable development'' and ''corporate social responsibility''. In light of this, to address the relationship of corporate sustainability with these terms, he argued that the term ''corporate sustainability'' borrows elements from four more established concepts that we can also see on Figure 10 below. Marrewijk (2003) went beyond defining corporate sustainability and provided five ambition levels of corporate sustainability in combination with the organisational motives for choosing a particular ambition. These are: a. Compliance-driven, b. profit-driven, c. caring, d. synergistic and e. holistic[5].

Figure 10: The evolution of corporate sustainability



Source: Adapted from Wilson (2003)

In this context, whilst none of our interviewees referred to the ''caring'' aspect of corporate sustainability, the argument on TNCs being involved in FT in order to solely protect their public image for the sake of profitability, has been confirmed by multiple senior-level interviewees from TNCs, a FTSE, the FT Foundation and a civil society sector organisation[6]. For example, interviewee 11-an ex-Sustainability Director from a major chocolate brand/manufacturer-told us that:

[5] See also appendix 2 for more detail on the concepts that shaped corporate sustainability and appendix 3 for Marrewijk's (2003) corporate sustainability ambition levels.
[6] Interviewees 4, 7, 10, 11, 12, 19 and 41.

''*The drivers for running Cocoa Life programme have been highly commercial*''. In turn, interviewee 41-a Cocoa program officer from Solidaridad-was also explicit: ''*the existing sustainability programs like Cocoa Life are not the best for farmers' interests as they are driven only by commercial interests*''. Finally, interviewee 9-an ex-Sustainability Director from a major chocolate brand/manufacturer-added that Cocoa Life ''*is coming as an addition to a business agenda involving selling a commodity with a sustainability attribute*''.

To elaborate, interviewee 11 positioned the commercial interests on the basis of rising cocoa prices, mitigation of bad reputation especially from child labour, security of supply and differentiation against competitors. The FT Foundation has been also aware of the importance of TNCs' public image and commercial interest in relation to involvement in FT. Hence, interviewee 10-senior manager in the FT Foundation-mentioned that ''*the incentives/drivers for commercial organisations to enter the FT chains are: differentiation and brand reputation*''. Finally, interviewee 4-a cocoa sustainability manager from a major Retailer-suggested that they select their FT chocolate suppliers not only on the basis of quality of product and price, but also on the potential for a good story that will enhance brand reputation.

Brand reputation for TNCs involved in cocoa-chocolate GVCs has been deemed increasingly important in light of adverse media pressure over the use of child labour in West Africa. IDS and the University of Ghana (2006) suggested that the introduction of CSR initiatives by big companies came as a result to adverse media pressure and increasing challenges to the future sustainability of the cocoa sector. But before we provide the evidence for the argument we advanced earlier on the relationship of FT with corporate sustainability, it would be useful to briefly discuss child labour and how this has shaped the focus of TNCs on brand reputation. To this end, IDS and the University of Ghana (2006) highlighted that the exposure of the use of child labour in West Africa in the UK in 2000 and US media in 2001 included allegations of the use of forced and bonded child labour and of children engaged in hazardous work. Child labour refers to children who are encouraged or made to do work that (i) is mentally, physically, socially and morally dangerous and harmful to children; and (ii) interferes with schooling by depriving them to attend school, by obliging them to leave school early, or by requiring them to combine school attendance with excessively long and heavy work.

As a response, various initiatives like the International Cocoa Initiative along with legislation in the US have been introduced in order to combat child labour. In Ghana, the Ministry of Manpower, Youth and Employment has developed a National Plan for the Elimination of Child Labour and is playing a key role in a collaborative programme with Cocobod (ibid). FT standards prohibit children from being employed in illegal or harmful work while regular audits are designed to detect child labour. Major breaches of Fairtrade standards on child labour can result in suspension of the producer group along with corrective actions to be taken to address the problem. However, monitoring, certification and adherence of standards is challenging. This is because production is dominated by small scale-farming, long tradition in the use of family labour and chronic poverty deriving from low cocoa prices, poor availability of education in rural areas and infrastructural challenges (Fairtrade Foundation, 2011).

In this context and given that an increasing number of consumers have expressed concern for the conditions faced by farmers and their communities, as demonstrated through the rapid growth FT certified chocolate (IDS and the University of Ghana, 2006), TNCs decided to intensify their involvement with FT. As a result, in the early stage, Mondelez were heavy users of certification and big purchasers of FT as well as Rainforest Alliance (RA) and certification was very important to them, according to interviewee 17-a director from the Cocoa Life-Mondelez GVC. In terms of the impact that this early involvement with FT had, interviewee 19-a manager from the Cocoa Life-Mondelez GVC-emphasised that their FT involvement ''*made industry and consumers aware of origin story and helped shape Mondelez's thinking around Cocoa Life, whilst certification has helped though in bringing the debate forward*''.

> From the empirical evidence above and in relation to Marrewijk's (2003) five ambition levels of corporate sustainability we outlined earlier, we argue that big chocolate TNCs (including Mondelez) early involvement with FT we have just described resembles a hybrid between the ''compliance-driven'' and the ''profit-driven'', and certainly not ''caring''.

It is ''profit-driven'' on the basis that it contributes to the bottom line, which takes place through the enhancement of the brand reputation. However, since the articulation and integration of social, ethical and ecological aspects into the business operations and decision-making hasn't been fully developed yet, we could not position this solely in this grouping. It's also ''compliance-driven'', since it is providing welfare to society, within the limits of regulations from the rightful authorities, which is Fairtrade and the FT standards in this instance. Although, this involvement may have been perceived as the correct behaviour at the time, the empirical evidence above suggests the primacy of commercial considerations. Hence, we think the hybrid between the two is the right grouping.

Going forward though, and in light of considerations we mentioned earlier such as security of supply and differentiation from competitors, big chocolate TNCs shifted away from FT and certification to a broader sustainability agenda, which nonetheless still does not entail balancing the ‘‘caring’’ dimension with the ‘‘profit-driven’’ one. Interviewee 8–a Board member of a FTO-suggested that TNCs involvement in FT is now driven by corporate sustainability and is trying to address consumer trends related to brand reputation. Similarly, a senior Manager from the FT Foundation underlined that ‘‘*the incentive for commercial organisations to enter the FT chains has been the need to tick the sustainability box and ethical leadership*’’-interviewee 10. The shift to corporate sustainability through the emphasis on sustainable development and moral philosophy as described earlier on figure 10, can be further demonstrated from the following statement: interviewee 11, an ex-sustainability director from a major chocolate brand/manufacturer, told us that *‘‘all the decisions around Cocoa Life have been made considering a sustainability strategy encompassing social, economic and environmental considerations’’*. However, the prominence of the economic goals over social and environmental remained. To this end, we repeat interviewee’s 9 quote that ‘‘*Cocoa Life is coming as an addition to a business agenda involving selling a commodity with a sustainability attribute*’’.

The consequences of this shift of TNCs towards a broader corporate sustainability agenda have been severe for FT. As a result, FT is now seen as a tool in a broader agenda driven predominantly by strong commercial considerations, as opposed to its vision to be a ‘‘*tool for modifying the dominant economic model*’’ (Moore, 2004; p.2). To illustrate, interviewee 45-the Head of Programme from Cocoa Life-told us that ‘‘*the focus of any certification programme should be sustainability. FT should be a bonus and not a mandate*’’.

Similarly, interviewee 17, highlighted that the scope is broader than certification scope nowadays and that Cocoa Life is expected to be taken across the supply chain with no desire to use FT to certify it and managed against KPIs at outcome and assessment level. The same interviewee also suggested that the ‘‘*FT relationship needs to be examined under different premises in the light that the end is not certification, the end should be sustainable supply chains. We want to be having sustainable chains and not only a small percentage of FT. There is a need to shift to outcomes and impacts and away from compliance to standards*’’. To confirm, interviewee 42-a technical advisor from the World Cocoa Foundation- maintained that ‘‘*certifications like FT are just means to sustainability*’’.

On the back of the evidence we presented above and in relation to Marrewijk's (2003) five ambition levels of corporate sustainability we outlined earlier, we have demonstrated that TNCs current involvement with FT has shifted from the hybrid between the ''compliance-driven'' and the ''profit-driven'' we described earlier, to solely ''profit-driven''. Limiting FT and demoting it as a small part in a broader sustainability agenda has removed the strong element of compliance that was previously driven by the FT standards. In the meantime, the emphasis on outcomes and measurement in a conception of corporate sustainability that is underpinned by commercial motivations to differentiate, enhance corporate reputation and ensure security of supply, indicate a profit-driven orientation.

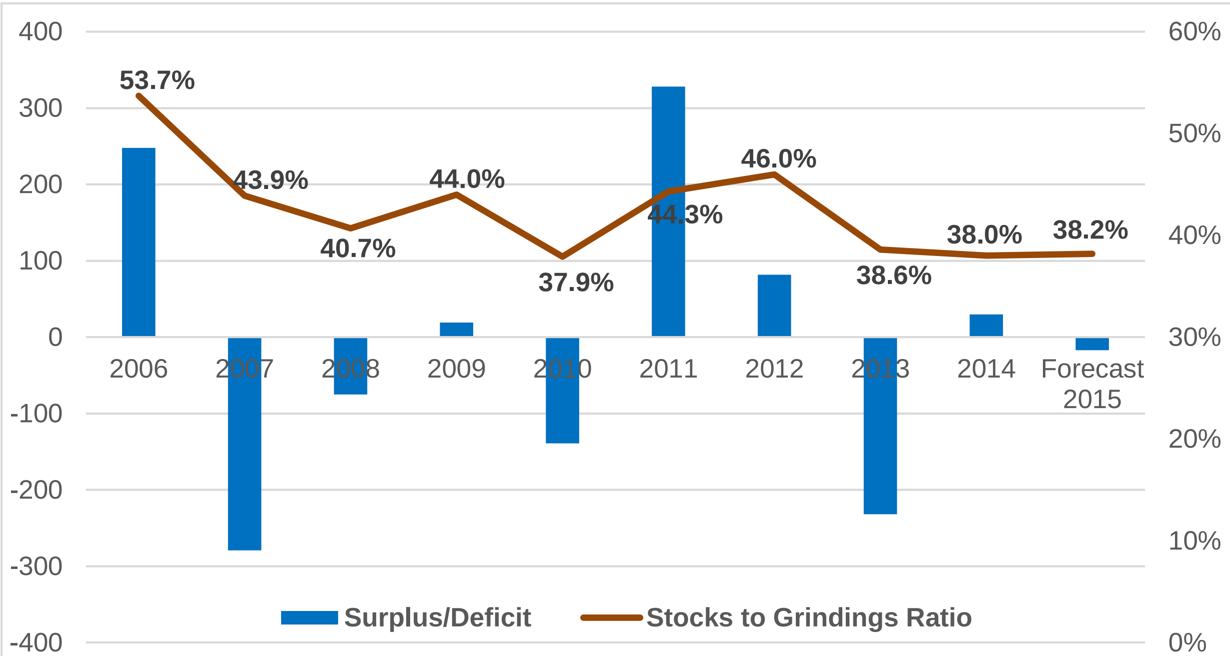
2. Security of Supply – In the context of this discussion, we frequently referred to security of supply considerations as one of the main commercial drivers of big chocolate TNCs that led them to initially get involved in FT, and later utilise the concept of corporate sustainability whilst embarking on sustainability programmes on the ground in Ghana in order to secure their security of supply. Since the initial involvement in FT hasn't been particularly fruitful in helping big chocolate brands to secure their security of supply, they decided to take the matter into their own hands and invest in sustainability programmes on the ground. As a result, FT was further undermined by a plethora of sustainability programmes.

But before providing evidence for the argument above, we need to provide the context that illustrates the security of supply concerns that big chocolate brands/manufacturers have been facing. On figure 11 below, ICCO (2015) demonstrated the 10 year historical view of supply and demand of world cocoa bean production, grindings[7] and stocks. This shows a balanced view between deficits and surpluses, in which the cocoa market experienced five years with production surplus and five years with production deficit. If we look at the stocks to grinding ratio though, it is the second lowest over the past ten years. So, this justifies a certain level of sensitivity about security of supply at global level. And, if ICCO's (2014) projections about deficits over the next five years are confirmed, this is likely to further compound fears over security of supply. This can be justified on the basis of a growing middle class in China, India, and Brazil. While Europe and North America are relatively mature markets, increasing household income in developing countries is a primary driver in stable demand growth. As demand is projected to continue its

[7] Once cocoa beans have been harvested, fermented, dried, and transported, they are processed into separate components for commercial consumption. Processor grindings of cocoa beans serve as the key metric for market analysts, for an overall view of historical and anticipated demand. Processing is the last phase in which demand for cocoa beans can be equitably compared to supply (World Cocoa Foundation, 2014).

stable growth, supply growth may slow due to changing weather patterns in the largest cocoa-producing areas (World Cocoa Foundation, 2014).

Figure 11: World cocoa bean surplus/deficit ('000s tonnes), stocks/grindings (%)



Source: Adapted from ICCO (2015)

In this global context of cocoa supply and demand, IDS and the University of Ghana (2006) emphasised that low levels of productivity are a significant obstacle to achieving sustainable cocoa production in Ghana. The cocoa sector on average obtains 350–400 kg per hectare as compared with rates of 1000 kg per hectare and over in some cocoa-producing countries. Dormon et al. (2004) suggested that low productivity can be attributed to socio-economic factors and biological/technical ones. For example, farmers involved in their study suggested that socio-economic factors like low producer price paid to them, lack of electricity, expensive labour, availability of credit were the causes of low yields. The biological causes identified by the farmers were pests and diseases. These factors contributed to inadequate crop management through a vicious circle of underinvestment.

Building on this, IDS and the University of Ghana (2006) advanced that cost of inputs, like seed pods, seedlings, insecticides, fungicides and fertilisers, has also been a significant factor of low productivity. They have also elaborated on financing, which apart from purchasing inputs, is important for farmers to support their households during the off-season when they cannot sell cocoa. Before liberalising the domestic purchasing of cocoa, the Produce Buying Company (PBC) could make cash advances to cocoa farmers and these were deducted when cocoa was sold. After liberalisation, with multiple buyers it has become difficult to operate a loan scheme by the LBCs because of the possibility of ‘‘dribbling’’. On the same note, Cocobod used to have its own extension service through its Cocoa Services Division, but under pressure from the World Bank, the Government of Ghana decided to combine cocoa extension and general agricultural extension under a unified extension service in 2001. As a result, cocoa extension has fallen short of what is needed to bring knowledge and innovation to the farmers to increase productivity.

Finally, when looking at the future sustainability of cocoa production in Ghana, young people do not completely discount cocoa farming, but they advanced a preferred model of a commercialised enterprise that does not require as much physical labour. If this can be explored and supported, cocoa will continue to be part of young peoples’ aspiration. Otherwise, given the low rewards and the consequent difficulty of attracting youth into cocoa farming, a paradigm shift is needed to attain the longer-term sustainability of cocoa production (ibid).

In light of the security of supply concerns, BASIC (2014) proposed that because of the growing concentration at different levels, there are increasing power struggles for the control of the chain between the leading business actors, namely between supermarkets, brands, processors and traders. The growing concerns over the supply of key commodities and shrinking number of farmers going forward, have generated an intense competition for the control of sourcing. This has led to an increased tendency of supermarkets and brands to bypass the other influential actors in the chain (in particular traders) in order to acquire vertical control of the chain down to producers, similar to Cocoa Life’s case. Controlling supply is directly linked to profitability as there are substantial fixed costs in the industry in terms of factories, processing facilities, but also marketing budgets. So, as we found out from interviewee 46-the deputy marketing manager with Cocoa Processing Company (CPC)-if there wasn’t continuous cocoa supply, processing facilities would be running below break-even capacity. Similarly, since marketing budgets and distribution space are expensed ahead of the chocolate being in the supermarket shelves, having no product to stock the shelves with would be translated into enormous losses.

On this note, and in relation to the argument we advanced in the beginning of this section regarding TNC’s involvement in FT that hasn’t been particularly fruitful in helping big chocolate brands to secure their security of supply, interviewee 12-ex-chair of a FTO-suggested that ‘‘*there are three ways to secure supply: a. Certification (FT, RA), b. Market purist way through supply and demand, which hasn't worked as it takes approximately five years for farmers to pick up* *market signals and for the cocoa tree to be ready for crop (plant to harvest lag time) and c. project based''*. In relation to the first option, interviewee 11 told us that security of supply has been attempted by Mondelez through market forces in the past, but has clearly failed as there is a deficit projected for 2020, as we presented earlier. In relation to the second option, ''*Nestle were persuaded to go FT because they were reassured that they would have supply of cocoa in 10 years. They clearly had no interest in farmers*''-interviewee 12. Nonetheless, in line with what we argued earlier about the role of FT and its limitations in relation to a broader corporate sustainability perspective, interviewee 19 mentioned that FT has been useful, but claimed they took this further through not just focusing on money (FT minimum price and premium) but sustainability as well.

> Therefore, the decision to pursue the third option and implement a project-based approach was made in light of the first two unsuccessful attempts and the looming security of supply context we highlighted earlier. Interviewee 19 underlined that ''*on top of brand reputation and the shift to corporate sustainability,* the *decision for Cocoa Life has also been made in the context of a 2-2.5% increase in cocoa demand per year and the fact that yields have been low. These two raised the security of supply question*.''

Despite the fact that big chocolate brands shared similar concerns and understanding over security of supply, the way they went about implementing their sustainability projects on the ground has been different. As such, and in line with the goal to differentiate from competition, interviewee 11 explained the difference in Mondelez's philosophy behind their sustainability programmes as opposed to the one that Mars was undertaking. To this end, he elaborated that whilst Mars's and Nestle's focus is also to increase productivity and secure supply, they go about achieving this in a technological approach, whereas Mondelez has put the farmers in the centre of their model in a development oriented model. In relation to Mondelez's model, we have previously discussed Cocoa Life's five desired outcomes that in essence support yield increase through farmer-centered outcomes that entail additional livelihoods, community development and focus on encouraging youth to stay in the sector. On the other hand, Mars's focus has been the cocoa genome, according to Ryan (2011). Nieburg (2013) explains that Mars have discovered the genetic sequence to breed higher yielding, disease tolerant trees that could lead to better tasting chocolate. Through making genetic markers for the cacao plant, Mars can improve the breeding process and produce clones quicker. Although, this hasn't been implemented yet, Mars expects 500% increase in yields from regular Matina trees. Contrary to these ambitious projections, interviewee 11 suggested that ‘‘*Cocoa Life’s holistic sustainability programme has resulted to productivity increases of 20-60% vs. 6-8% of others like Mars*’’.

Beyond these two programmes run by big chocolate brands Mondelez and Mars, there have also been quite a few sustainability-driven programmes running in parallel. These programmes have been run or funded by the World Cocoa Foundation and the Dutch Government (which we will examine in more detail in the next key themes) and other organisations in the value chain, like the international traders. For example, Ryan (2011) referred to the Sustainable Tree Crops Programme (STCP)-a joint initiative of USAID and the chocolate industry-that organises and funds farmer field schools. The International Institute of Tropical Agriculture (2015) informed us that is seeks to generate growth in rural income among tree crop farmers through introducing innovations to enhance productivity, increase marketing efficiency and diversify farmer income.

Moreover, international traders like Armajaro through their Source Trust programme present themselves as sustainability experts and supply chain managers to big chocolate brands. According to interviewee 26-the head of Sustainability from Armajaro-‘‘Source Trust’’ is a not-for-profit organisation set-up by Armajaro that help farmers improve their livelihoods through better crop yields and quality achieved through sustainable farming practices. We will discuss this initiative in more detail during the ‘‘buyer-driven power structure’’ and the ‘‘chain relations and coordination’’ key themes later. We should note that all of the programmes we mentioned have been also aiming to productivity-led sustainability with more or less developmental or technical focus, reflecting in this way the different approaches to achieving greater productivity.

> The increasing focus on productivity hasn’t gone unnoticed from people involved in FT. For example, interviewee 47-a manager from FTI-mentioned that ‘‘*there has been major concern over the concentration of the programme like Cocoa Life on supply-demand sustainability and an economic focus on productivity*’’. Interviewee 25-ex-Oxfam manager involved in FT-added that ‘‘*the focus on yield is major source of concern since if farmers produce cheaper, then the intermediaries will also try to push down prices so the net impact for the farmer will be the same*’’.

Despite these concerns, Cocoa Life and other sustainability programmes are being implemented with strong support, while FT is being undermined as a tool in Cocoa Life’s programme-interviewees 17 and 19.

Interviewee 45 emphasised that due to the holistic nature of Cocoa Life's programme through the five outcomes we described earlier, they went way ''beyond FT'': ''*The programme did not start with the aim of achieving fairtrade principles and FT principles were met before FT certified it. However, FT has helped them enhance farmers' capacity through stricter standards and audits*''.

5.2.2 FTI'S ORGANISATIONAL SUSTAINABILITY

Having established the profit-driven orientation of big chocolate TNCs, on the basis of their security of supply concerns, brand reputation and differentiation from competition, we have explained how this has all been brought together by TNCs under a corporate sustainability mantra and how this led to FT being increasingly undermined. The implications of this have been quite significant in terms of FTI's organisational viability and FT's sustainability.

This was further compounded by the critique articulated against FT by the interviewees below. Their critique was directed against FT's approach, which was characterised as narrow and top-down, underpinned by its high cost of certification. In light of this criticism and influenced by its ''mainstreaming'' decision that mirrors the corporate sustainability mantra of TNC's, FTI advanced a licensee-based model whilst broadening the scope beyond certification. On top of this, FTI's organisational viability and sustainability is under threat in light of the increasing competition from other certification schemes.

1. **FT Approach –** In light of the corporate sustainability dimensions and sustainability programmes like Cocoa Life that incorporate economic, social and environmental considerations, FT's approach articulated through its standards has been deemed too rigid and narrow. This has been predominantly attributed to FT's focus on the social and political dimensions articulated through FT premiums used for community development instead of productivity improvements and democratic organisation of farmers.

To illustrate, interviewee 4-a cocoa sustainability manager from a major retailer-advocated that FT was lacking in the economic side of sustainability, namely productivity improvement:

''FT doesn't cover the problem holistically. Hence we decided to work with Solidaridad[8] to set our sustainability strategy in an overarching project that tackles yield, women, agricultural

[8] Solidaridad is a Dutch civil society sector organisation with more than 45 years of global experience in facilitating the development of socially responsible, ecologically sound, and profitable supply chains (Solidaridad, 2015).

practices, empowerment, leadership and access to markets. We are doing this overarching project for security of supply, reputational reasons and moral obligation''.

Building on this, interviewee 11 questioned FT's emphasis on the social dimension of sustainability instead of the economic one. For example, whilst hinting at Divine's chain, he argued that the level of investment in social development such as building wells was not mirrored in farming and in the cooperative at the same level that the market grows. For that reason, he argued that the economic side of sustainability has been jeopardised. He further argued that having realised this, FTI have now been moving towards the economic side of the sustainability spectrum by loosening the rules of FT. This shift has led him to question FTI's strategy and mission and whether they are a certification or a development organisation. We will, however, examine FTI's model shift in more detail in the next section.

Beyond FT's narrow approach and in contrast to the feminist authors' articulation of bottom-up power we examined earlier, FT has also been criticised for its top-down approach that doesn't fully take into account the specific development context within it operates. This has been attributed to the ''one size fits all'' nature of certification that's not appropriate for development as context matters a lot. As a result, we argue that this has put FTI's organisational viability and future sustainability under great risk. Previously, in chapter 2, we referred to the fact that FT has generally been perceived as a top-down approach when considering the reliance on the purchasing of Northern customers, the FT conceptualisation from Northern activists, the definition that derived from FT organisations in Europe, the fact that Northern organisations decide what commodities to certify, which producer groups to work with, and finally, the reliance on Northern TNCs (Leclair 2002, Shreck 2005).

This has been verified by interviewee 41, a cocoa program officer from Solidaridad, who claimed that ''*certifications including FT are perceived as a white man's top-down approach*''. To this end, a corporate responsibility & sustainability head of cocoa from a prominent LBC told us that ''*the certification criteria of Fairtrade are things that farmers are already doing. Fairtrade is only trying to ensure they are done more responsibly, hence certification is a top-down approach imposed on farmers on things they already do*''-interviewee 32. Lastly, in relation to Cocoa Life which as we have seen in the Cocoa Life-Mondelez GVC earlier includes an element of FT, a Manager from FTI questioned whether the big sustainability programmes like Cocoa Life consult with the farmers or are they driving the decisions top-down-interviewee 47.

Furthermore, building on what we presented earlier on the production processes including the technological and socioeconomic factors that affect farmers' lives and yields, it is evident that situation on the ground is very complex. In that, the role of the government (which we will examine in detail in the next key theme), TNCs, farmer themselves and weather conditions is significant and often overlapping. On the other hand, interviewee 25 told us that FT has watered down all this complexity in its effort to appeal to consumers through simplified marketing. In essence,

> ''*FT's messaging and communication have promised God, thus the expectation they created has been unrealistic*''.

FT seems to acknowledge this through their theory of change, whereby they accept that the nature and extent of change brought about by Fairtrade interventions will depend on a range of contextual factors and that FT is not the sole determinant of change (Fairtrade International, 2013). Despite this, FT's top-down manner hasn't worked very well due to the disconnect between what FT has promised the customer and what is the on the ground reality, that FT cannot address by itself.

The bulk of this critique on FT's promises was also based on the fact that FTI and the FT Foundation have not been talking as openly about the hefty price tag they charge to deliver the FT certification and the consequent disproportionate cost advantage and access that FT provides to bigger cooperatives as opposed to the smaller ones. This relates to the horizontal power relations lenses we earlier advanced through our feminist power analyses. For example, interviewee 18-a Cocobod marketing manager-criticised FT for its high cost of the certification, whilst Kaplinsky (2004) suggested that standards like FT become like trade barriers for developing country producers as small and medium scale producers often lack the resources or skills to obtain and sustain the necessary certification.

Fairtrade International (2014) explained the structure of certification fees applicable to small producer organisations that consists of the items outlined in appendix 5. These fees vary according to the number of members in the organization and whether there are additional products or processing/subcontracting facilities. The fees cover all direct and indirect audit costs, including transport, accommodation and FLOCERT staff time. Therefore, on the basis of a 50 people cooperative, with no processing/subcontracting and modifications, the cost of certification would be around €50 per farmer for the first year and around €24 per farmer for the second year. For a 1000 people cooperative, the respective numbers would be €4 per farmer for the first year and around €2.8 per farmer for the second year.

2. **FTI Business Model and theory of change** – In response to the criticism leveled against FT about its narrow approach and focus on certification, FTI and the FT Foundation have reviewed FT's business model. This was heavily influenced and driven by their earlier strategic decision to work within the existing trading system and its agents, in what was called ''mainstreaming''. As such, the decision to move beyond certification and donations to a self-sustaining organisation based on licensee fees reflected not only the move of TNCs toward corporate sustainability that resulted in FT being demoted, but also FTI's conscious effort to survive in a competitive market as a mainstream organisation relying on fees from the TNCs who, according to Fridell (2006), have been responsible for structuring an unequal global economy, that FT was initially trying to transform. At the same time, we argue that this jeopeardises FTI's organisational viability and sustainability, as well as the adherence to the FT principles and ultimately results in the undermining of FTOs.

To illustrate, interviewee 10-a senior Manager from the FT Foundation-told us that:

> ''*The FT Foundation was in the process of moving beyond certification and donations to a self-sustained organisation based on licensee fees''*, which are heavily provided by the big volumes commercial organisations like Mondelez are purchasing.

Interviewee 10 also added that one of the main drivers for this shift has been the Foundation's mission to grow and this is why they decided to work with licensees and retailers in the past. ''*The decision-making then and now has been based on growth than on ideological positions and is consistent across products*''. Their ultimate criterion to decide has been impact, which is determined by sales since farmers have been asking them for more sales and sales enable development programmes.

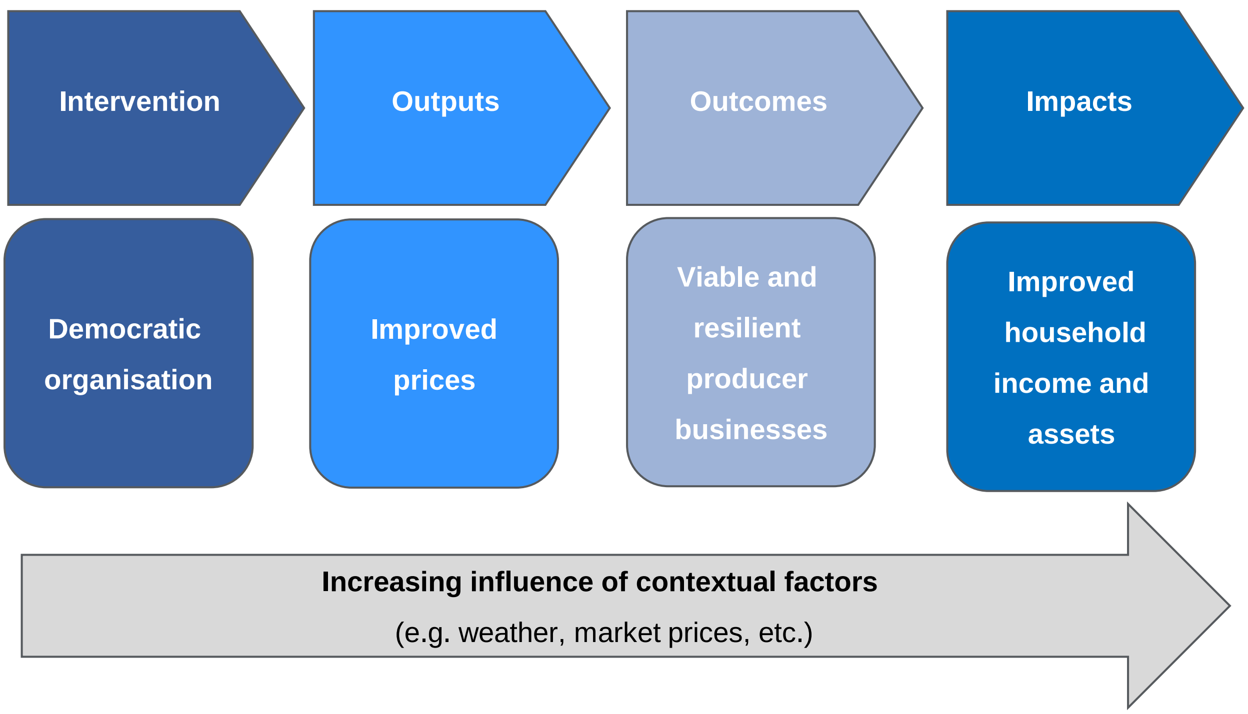
This process of change beyond certification was outlined in FT's theory of change report that interviewee 10 often referred to. As we explained earlier, in this report FTI acknowledges that ''*Fairtrade contributes towards change for small producers and workers, rather than being the sole determinant of change*'' (FTI, 2013; p.8). FT's contribution is materialised in two ways:

- **FT Standards** – As we have seen in chapter 2, these are practiced through the tools of the FT minimum price, FT premium, democratic governance, environmental protection, pre-finance and the FT mark.
- **Strategies and Policies** – These enable engagement in FT and involve building FT markets through consumer awareness and business engagement, development of

alliances with small producer organisations and civil society, and campaigning and advocacy to change the policies and practices of international trade.

Whereas in past FT analysis would stop there, now FT acknowledges that on top of their interventions lies a complex environment, which in combination to FT interventions will lead to certain outputs, such as improved prices, investments using the Fairtrade Premium. In turn, these outputs may contribute to a range of short and medium term outcomes, such as more viable and resilient small producer businesses, improved infrastructure in communities. Then, these outcomes in turn contribute to various long-term impacts, such as improved household income and assets. Therefore, the results of Fairtrade include all the outputs, outcomes and impacts which Fairtrade interventions contribute to, both directly and indirectly, intended and unintended, and positive and negative. It is crucial to highlight that the influence of contextual factors increased as we move from interventions to impacts (ibid). For a schematic example of the above, see figure 12 below.

Figure 12: Fairtrade theory of change-Simplified example



Source: Adapted from Fairtrade International (2013)

So whilst FT is changing, this change is increasingly reflecting the language and practice of corporate sustainability we have seen previously through the economic, social and environmental angles. Moreover, it underlines the change that FT is going through as a result of their decision to rely on TNC fees. As such, mirroring the corporate sustainability language and practice of TNCs is now even more crucial for FT's organisational sustainability and self-sufficiency-as indicated by the FT's new licensee-based business model. The downside however is that this model may not be sustainable as the partners-TNCs they chose to work with may not be willing to work with them in the long-run unless they turn into something different, which is still work in progress.

As such, the FT theory of change report mentions that beyond impacts, what's also critical to highlight is that the end goal for FT is to achieve the FT long-term goals one of which is to make trade fair: ''*Create an environment in which small producers are able to develop sound businesses; workers are able to exercise their rights and freedoms and earn a living wage; consumers are informed and demand fair trading practices; and public and private sector policies support and enable economic, social and environmental sustainability*'' (ibid; p. 5). Whilst this clearly mirrors the corporate sustainability language and practice we outlined earlier, interviewee 17 acknowledged the change FT has been going through its theory of change report, but was unclear and elusive around the role FT would play in future and its extent.

In the meantime, and in line with the horizontal power relations articulated through our feminist power analyses earlier, it appears there is a complex power dynamic between TNCs, FTI and FTOs. FTI's new model and change have undermined FTOs and their true mission which has been articulated in the FT principles. A few FTO interviewees[9] have highlighted the adverse implications of FT's shift to the new business model and reliance on TNCs to ensure the organisational survival of FTI. To this end, they emphasised this is demonstrating clear inclination to ''mainstreaming'' and full blown commercialisation, while it has come at the cost of sacrificing and compromising FT principles. For example, interviewee 12-the ex-chair of a FTO-argued that:

> ''*The FT Foundation earn their money via licencees so they are more likely to want to satisfy their demands more than the ones from the FTOs*''. On this note, Interviewee 8-Board member of a FTO-linked the reliance of the FT Foundation on fees by TNCs to the loosening of FT standards: ''*the loosening of FT standards has been driven by the licencees who exert power in order make standards broader. This has been effective as they contribute a higher proportion of FT revenue fees for the FT Foundation given the significant volumes they purchase*.

This was further advanced by interviewee 1 and 3, who talked at length about the undermining of FT principles as a result of lobbying of TNCs. However, the overall sentiment of the FTOs around

[9] Interviewees 1, 3, 7, 8 and 12.

FT Foundation’s decision was summarised in what interviewee 8 mentioned: The FT Foundation exercise loser governance as times passes by predominantly as manifested by loosening the FT principles driven by their goal to grow bigger in a commercial sense, ‘‘*which is naive and short-termist*’’.

To counter criticism, interviewee 5-a manager from the FT Foundation-hinted towards sharing responsibility with the FTOs by saying that it's not all about the volume since FTOs have a role to play in influencing and pushing the bigger players to act more responsibly. Interviewee 5 also tried to draw the line by saying that if they encountered corrupt governance, bad relationships and loose commitment to FT, they wouldn't carry on with this commercial organisation despite the big volumes they'd bring. This debate clearly highlights what interviewee 12 suggested: that the FT Foundation has had limited success in reconciling FTOs and commercial organisations interests, mainly driven by its own business model which relies on licensee money. This is a power dynamic we will be encountering throughout the remaining key themes when comparing the two different chains. We will also later see how the FT Foundation’s business model and change have been manifested across the chains and what this has meant for the FT principles. We will also examine in detail the mechanisms of the lobbying that TNCs exercised on FTI and the FT Foundation in the following sections.

3. **Certification Competition** – A mainstream commercial model derives from FT’s choice to work and compete within the market that is a highly competitive marketplace. As such, and in line with the horizontal power relations articulated through our feminist power analyses earlier, FT has had to compete with various other ‘‘ethical bedfellows’’ as Ryan (2011) describes other certifications like Rainforest Alliance (RA) and UTZ Certified. Therefore, competition between brands and retailers was explicitly mirrored between different certifications and harmonisation standards. As a result, we argue that certifications are competing for market share through aligning with brands’ corporate sustainability requirements and by focusing on their own sustainability niche: social, economic and environmental, or through a combination. In this competitive context, FT’s better developmental approach we earlier outlined meant very little to the buyers, since for them a certification was yet ‘‘another product in their shop’’ and their rationale for purchasing had more to do with cost and ease of implementation.

To put this argument in context, ICCO (2012) explained that the most relevant certification schemes for cocoa are Fairtrade, Rainforest Alliance and UTZ Certified. Whilst, it can be said that they all seek improvements in farmers’ livelihoods, focus on developing good agricultural practices and on capacity building, they vary in their main focus for achieving a more sustainable cocoa production. For example, FT is focusing on the creation of sustainable trade relations, whilst UTZ Certified and RA have greater focus on increasing farmer productivity as a way to strengthen farmers.

As per our previous analysis on the importance of sustainability and productivity for TNCs, it is important to highlight that Fairtrade differs in this sense from other schemes, as increases in productivity is not its focus. Instead, ICCO (2012) suggested that Fairtrade aims for better and more just trade relations, whilst UTZ and Rainforest Alliance are explicit about their objective of increasing farmers' yields. For more information, see table 4 below. In terms of market shares and the competitive intensity, based on 2010 figures, we see that the most representative schemes in terms of their certification market share are Fairtrade (39%), UTZ Certified (25%) and Rainforest Alliance (20%). However, as we are able to see from table 4 below, this has changed dramatically since UTZ almost tripled in size in 2011 and overcame FT to hold the first position. We will explain why this took place in the ensuing analysis.

Table 4: Certifications description and market share

Certification	Focus	Volume of certified cocoa (tonnes)		
		2010	2010 Share of certified cocoa	2011
FAIRTRADE	Promote better trading conditions and empower producers.	106.400	39%	150.000
RAINFOREST ALLIANCE CERTIFIED EST 1987	Biodiversity conservation and sustainable livelihoods of farmers. Focus on increasing productivity	56.000	20%	98.400
UTZ CERTIFIED Good inside	Professionalize agricultural practices and operational management. Focus on increasing productivity	70.000	25%	214.000

Source: Adapted from ICCO (2012)

During our discussions with big brands, retailers, LBCs, international traders and civil society organisations[10], we found out that all of them were managing a portfolio of certifications including FT, Rainforest Alliance and UTZ at varying quantities.

> In particular, interviewee 14-the head of sales and marketing from an international trader-referred to their involvement in FT in the context of other certifications using the analogy of a ''*shop which needs to stock a variety of products*''.

Interviewee 14 also had detailed rationale for their choices of certification and understanding of the impact of each certification. In particular, he emphasised the following dimensions: addressing more than one sustainability dimension, easier to implement, cheaper, no minimum price restrictions, easier to control, potential for development impact and farmer well-being.

> On this basis and in line with UTZ's significant increase of market share we covered earlier, he suggested they have been buying more UTZ certified cocoa since ''*it's cheaper and easier to implement through its less stringent rules*''. Also, unlike FT with the FT minimum price, UTZ have gained ground because they don't have minimum price restrictions. This helps with the competitiveness of the purchaser as they can buy more volume without being in risk of becoming uncompetitive in relation to a competitor who purchased conventional cocoa.

UTZ was the most preferred on the basis of allowing the subscribers to exercise more control during implementation and so was RA-interviewee 14. RA was also considered more multidimensional from the sustainability angle, as it has been addressing both the environmental and the economic sides simultaneously, according to interviewee 11. Nonetheless, interviewee 41 offered more support to FT despite acknowledging that most of his clients request UTZ or RA certification. To this end, he mentioned that ''*FT is solid as it pays attention on farmers and their well-being unlike UTZ and Rainforest*''. On this basis and on the fact that it focuses on cooperatives and empowerment, he underpinned that FT has more potential for developmental impact than the other two as it's also more structured and entails audit. We will however talk more about empowerment later during the ''political crop'' key theme.

Despite the obvious differences in focus between these three certifications, interviewee 41 and interviewees 27-certification manager & deputy from Armajaro-noted that the harmonisation of certifications has begun through the German development agency GIZ and the European Committee for Standardisation (CEN). GIZ (2012) mentioned they will ''*support the process of*

[10] Through interviewees 14, 19, 32 and 41.

drafting a sustainability standard by CEN and work to foster the development of this standard in close consultation with representatives of producer countries and existing standards initiatives''. More recently, Nieburg (2014) explained that CEN and the International Organisation for Standardisation (ISO) have been working on a voluntary framework including joint standards for sustainable cocoa that will be introduced by the end of 2016. In the meantime, there are LBCs on the ground like Armajaro delivering a multi-level training with three levels/modules designed for all certifications including FT, UTZ and RA. The modules are the following: a. Social-Where FT focuses on, b. Environmental-Where RA is focusing on, c. Good farming practice-Where UTZ is focusing-Interviewees 27.

5.2.3 CONCLUSION

The main argument in this key theme was founded on FT's ''mainstreaming'' decision. FT's reliance on TNCs means that FT has to withstand and work with the ultimate motivation of TNCs, which is the profit drive. As such, we argued that FT was initially seen as an add-on, compliance-driven certification to an already existing business agenda, and then was further demoted as part of a corporate sustainability agenda. The corporate sustainability agenda of TNCs is profit-driven by nature as it is underpinned by TNCs considerations about security of supply, brand reputation, differentiation and addressing customer trends. In particular, security of supply and low levels of productivity have emerged during our fieldwork in Ghana. Since FT's focus is not on productivity, it hasn't been particularly useful in helping big chocolate brands to ensure their security of supply. Therefore, they decided to take matters into their own hands and invest in sustainability programmes on the ground. As a result, FT was further undermined by a plethora of sustainability programmes, like Cocoa Life. Its role has been further limited and its impact was only perceived to be the strict standards and auditing.

FT's undermining was further ''cemented'' on the basis of its narrow and rigid approach that focuses on social development and democratic organisation instead of the productivity-led economic dimension. Its top-down approach was also criticised for its failure to take into account the context within it operates and the influence this has on impact. This was contrasted to what FT is promising the consumers through simplified marketing. Also, FT was criticised for the high cost of certification and the consequent disproportionate cost advantage and access that FT provides to bigger cooperatives as opposed to smaller ones. In response to this, FTI have reviewed their business model and decided to move beyond certification and donations to a self-sustained organisation based on licensee fees. This mirrored not only the move of TNCs to go beyond certification and towards corporate sustainability, but also FTI's conscious effort to go ‘‘mainstream’’ and consequently having to survive in a competitive market as a mainstream organisation. Having to rely on TNCs for its organisational viability and growth in a competitive market with plenty of ‘‘ethical bedfellows’’ meant that FT would have to compromise some of its principles. This has ultimately been severely criticised by FTOs, who felt they were being undermined since their business models were founded and run on the basis of the FT principles.

5.3 ''POLITICAL CROP''

The main argument in this key theme builds on Wallerstein's position (1995) we presented in chapter 2 on the State as one of the institutional structures and arrangements that have allowed and defended capital accumulation over 500 years. The accumulation of capital depends upon the ability to defend its concentration both against predators and against the demands of the workers that have produced it. On this note, Chase-Dunn and Grimes (1995) referred to the power of states over the lives of their citizens. They argued this power has expanded in a geographical manner along with a deepening of its power over the life of its citizens.

Therefore, despite the significance of the nation state, FT chose a different path. To illustrate, in chapter 2 we suggested that the strategic re-orientation of the fair trade network away from the fair trade movement signified abandoning the original vision of the network as an alternative trading system based on international market regulation with the nation state as a primary agent in development, in favour of a more moderate vision aimed at reforming the existing trading system on the basis of voluntary commitments from TNCs and consumers (Fridell, 2006). These commitments were to a certain extent translated into efforts to empower the farmers in a way that mirrored our feminist power analyses in chapter 2, whereby we outlined power seen as empowerment in the sense of a capacity or ability to empower or transform oneself and others.

In light of this, the following sections explore the Ghanaian Government's central and dominating role in cocoa underpinned by the partially liberalised cocoa market in Ghana and the various functions Cocobod undertakes, such as financing, external marketing, quality and pricing. The partially liberalised structure of the chain facilitates a political process of negotiation, lobbying and conflict between various stakeholders and the government. For example, during the pricing process, LBCs, hauliers and the Farmers Association are the main participants debating over their share of the FOB price.

Beyond these specific functions and power mechanisms, the role of the Ghanaian Government is also often highlighted in relation to the importance it attributes to cocoa as one of the main earners of foreign exchange as well as the system it has put in place in order to maintain control. In order to put this in perspective, we then discuss the government's role in relation to the currency's depreciation, the lack of broader infrastructure investment, as well as the limitations of Government policy, strategy and execution in relation to value added in country. But, Cocobod's role also has an international dimension when considering they are the sole seller of Ghanaian cocoa beans abroad and that Ghana is the second largest producer of cocoa in the world. The international dimension is enhanced by the role of foreign governments in tariff escalation that limits opportunities for value addition in Ghana in combination with the foreign direct investment into sustainability programmes in Ghana in order to ensure the security of supply for raw cocoa beans.

In this context and beyond the traditional forms of politics undertaken by nation-state governments in a top-down manner, there is a bottom-up perspective which the FT principles attempt to address through farmer organisation, democratic process and collective decision making. This has been implemented in different ways in Kuapa-Divine's and Cocoa Life-Mondelez's chains and consequently has produced different outcomes depending on organisational motivations, business model and contextual factors.

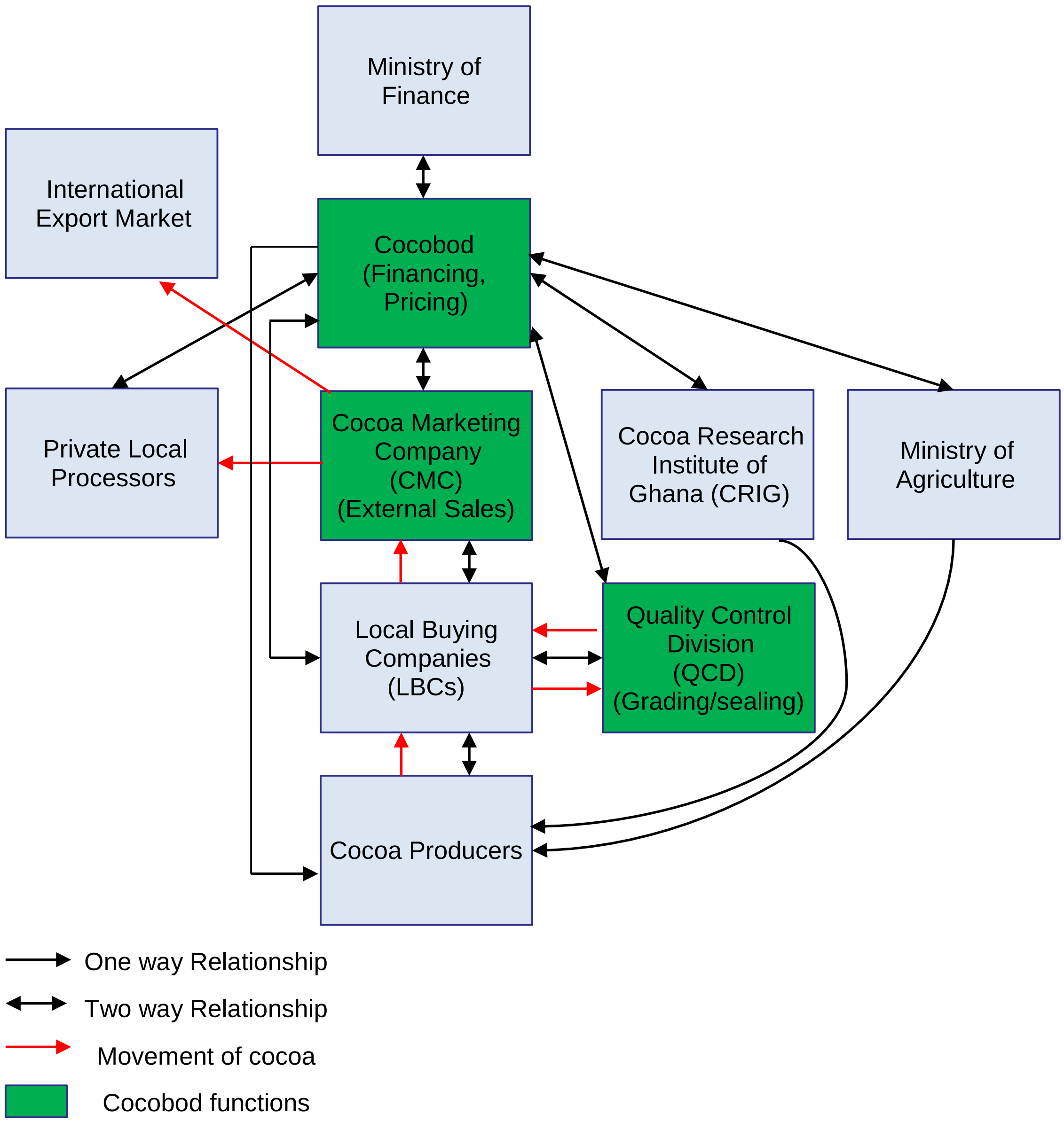
5.3.1 COCOBOD POWER MECHANISMS/FUNCTIONS

In line with Wallerstein's (1995) reference to the powerful role of the state in capital accumulation and despite the market reform in 1992, Cocobod still plays an extensive and significant role in Ghana and internationally in relation to cocoa quality, financing, external marketing and pricing.

> These functions are such significant power mechanisms that made interviewee 18-a Cocobod marketing manager-question the reason for the existence of FT and other certifications, given Cocobod's a strong role in the social and economic development of farmers.

To this end, figure 13 on the next page provides a high level overview of the functions Cocobod undertakes. Granleese (2008; p.33) confirmed that ''*despite beginning a process of partial reform in 1992, Cocobod remains one of Ghana's largest and most important bureaucracies*''.

Figure 13: Cocobod Functions



Source: Adapted from Granleese (2008)

1. **Financing** – Financing is one of the most significant power mechanisms that Cocobod exercises in relation to the smooth functioning of the internal marketing function undertaken by LBCs. This is because the cost of finance for LBCs is higher when they borrow directly from private banks as compared to Cocobod raising finance and lending them. Since both FT GVCs operate within Ghana, they have no option but to comply with this and work within these financing parameters, which effectively means that the FT and conventional GVCs overlap at financing level. But even if they wanted to do so, it would be highly unlikely to emulate the scale required

to undertake such an exercise and especially Divine due to its significantly smaller purchasing power compared to Mondelez.

From a theoretical standpoint, we refer back to Gereffi (1994; p.215) in chapter 2 whereby he linked financing (financial resources) to power relations and governance structure through defining governance as ‘‘*the authority and power relationships that determine how financial, material and human resources are allocated and flow within a chain*’’. To illustrate, Interviewee 38-the executive manager to the CEO of Cocobod-and interviewee 37-a CMC marketing manager-underlined the importance of the financing mechanism. To this end, interviewee 37 explained that ‘‘*CMC does forward selling which backs loan from a syndication of foreign banks in order to finance LBCs to purchase cocoa*’’. Granleese (2009) added that the majority of LBCs gain ‘‘seed-fund’’ financing from Cocobod to purchase cocoa at an interest rate of around 10-15%, however, this is not sufficient to fund all of their cocoa purchases which leads them to seek between 30-70% of their financing from external sources including bank overdrafts or parent company financing. It should be noted that bank loans increase significantly the cost of capital of LBCs as banks often charge around 20-23% interest.

In this context, and as we have seen in the chains description earlier, both FT chains are operating within this significant power mechanism. Kuapa has set up their own LBC in Kuapa Kokoo Ltd, whilst in the Cocoa Life-Mondelez chain, farmers are encouraged to sell to Produce Buying Company (PBC) or Armajaro, according to interviewee 39-the Head of Cocoa Life Farmers’ Cooperative in Amansie West district. Given the existing market structure and financing mechanism set up by Cocobod, all these LBCs in both FT GVCs need to operate within Cocobod’s parameters as per the functioning of the conventional GVC.

Beyond this, the financing mechanism is also essential and seemingly irreplaceable due to the scale of financing requirements and the market limitations. To this end, Ryan (2011) confirmed that the ‘‘seed fund’’ loan is roughly $1 billion per year whilst Granleese (2009) highlighted that in the absence of this power mechanism driven by Cocobod, LBCs would struggle to finance their purchases due to their low collateral base, limited capacity of the Ghanaian banking sector and increased completion with multinationals on the basis of their superior credit ratings and access to low cost finance. As a result, at macro-level neither Divine nor Mondelez would aspire to challenge or limit Cocobod’s financing power mechanism within their respective chain. This is, however, natural since FT focuses only on farmer and consumer level, whilst financing takes place in the middle of the chain due to Cocobod's central role to ensure that 835,466 tonnes of cocoa will be bought from 865,000 farmers, as per figures for 2012/13 from interviewee 38.

But, if they did, which does not derive from our interviews, firstly with FTOs[11] and secondly with Mondelez-interviewees 17 and 19-they could not emulate the scale required. To give an indication of scale, in the conventional cocoa chain, interviewee 19-manager from the Cocoa Life-Mondelez GVC-advised that a typical brand/manufacturer like Mondelez, Mars or Nestle purchase around 0.5 million tonnes of raw cocoa beans per year, which accounts to around 60%[12] of Ghana's raw cocoa bean production in 2012/13. At a significantly smaller scale, Divine has bought 900 FT certified tonnes in 2012 (Divine, 2013), which accounts to just 0.1% of Ghana's raw cocoa bean production in 2012/13 and 0.18% of Mondelez's (Cocobod, 2014).

2. **External Marketing** – It is important to highlight that the external marketing and financing power mechanisms are interdependent, since forward selling of cocoa enables backing of loans that finances cocoa purchases. As such, the monopoly of the external marketing of cocoa beans by CMC is also a significant power mechanism that further allows Cocobod to deal directly with cocoa buyers on behalf of the cocoa farmers. As a consequence, similar to the financing above, the two FT GVCs have no option but to comply with this and work within CMC's parameters, which effectively means that the FT and conventional GVCs overlap at the external marketing level. This is also underpinned by the better relative performance of Cocobod and Ghana to Nigeria and the Ivory Coast.

In chapter 2, we noted Wallerstein's (1995) reference to the State as one of the institutional structures that have enabled capital accumulation through defending its concentration both against predators and against the demands of the workers that have produced it. To illustrate, Granleese (2008) explained that although the internal marketing of cocoa between farmer and Cocobod was liberalised to LBCs, the external marketing of Ghanaian cocoa was not liberalised as they didn't want anyone to deal with farmers directly. Interviewee 18-a Cocobod marketing manager- confirmed that Cocobod through its subsidiary, the Cocoa Marketing Company (CMC), exports 100% of the Ghanaian cocoa, whilst interviewee 37-a CMC marketing manager-informed us that ''*70% of Ghanaian cocoa is sold forward to international traders/processors in and out of country, a fact that backs financing, and 30% on the spot market*''.

[11] Interviewees 3, 7, 8, 12.
[12] Ghana produced 835,466 tonnes in crop year 2012/13 (Cocobod, 2014).

As such, interviewee 18 maintained that CMC are the sole seller of cocoa abroad and buyer of all cocoa from LBCs internally creating effectively a monopoly through their unique position in the chain. He also justified this on the basis that ''*benefits are spread better this way in the chain and farmers get more as opposed to other fully liberalised African countries*''. To this end, table 5 indicates that Ghana's farmers through CMC's monopoly have achieved better prices than the ones achieved in the fully liberalised markets of Ivory Coast and Nigeria.

Table 5: West African Real Producer Prices

Cocoa Season	ICCO Daily Price ($/tonne)	Producer Prices in constant terms: 1995/96 = 100		
		Ghana	Ivory Coast	Nigeria
1995/96	1438	100	100	100
1996/97	1556	111	104	103`
1997/98	1711	130	123	103
1998/99	1298	143	161	194
1999/00	919	121	90	61
2000/01	990	137	100	64
2001/02	1580	152	166	74
2002/03	1873	228	175	69
2003/04	1534	210	89	62
2004/05	1571	183	79	59
2005/06	1557	164	80	59
2006/07	1854	151	87	59

Source: ICCO (2008) quoted in Granleese (2008)

As a consequence of CMC's monopoly, and despite what we explained in chapter 2 on FT's direct purchase criterion that buyers need to fulfill in order to carry the FT mark, both FT GVCs have no option but to operate within this marketing structure as legislated by the Ghanaian Government and exercised by CMC. As such, interviewee 37, a CMC marketing manager, emphasised that ''*FT cocoa cannot be sourced directly*'', so Kuapa Kokoo Ltd or the LBC that bought cocoa beans from the Cocoa Life farmers sells to CMC, CMC sells to international traders/processors who then in turn sell them to Divine and Mondelez. IDS and the University of Ghana (2006) suggested that the only difference within the COCOBOD system, is a separate channel and warehouse which has been designated for Fairtrade cocoa exported by Kuapa, to separate it out from conventional cocoa.

3. **Quality –** The interdependency of power mechanisms is also important to highlight here, since Ghana's reputation for good quality beans has enabled price premiums and forward contracting for CMC. This has been achieved with great success by the Quality Control Division (QCD) in a proactive manner but also through sanctions. This has led to both FT GVCs to work within the parameters of QCD. Beyond the product quality element in which FT has a marginal and complimentary role to the QCD, FT has previously focused on process quality through traceability, which was abandoned in commercial FT GVCs, like Cocoa Life-Mondelez but maintained in Kuapa-Divine's FT GVC. This has resulted in more sales, but also led to the disruption of the direct link between consumer and producer in what clearly reflected the dilution of FT principles because of FT's ''mainstreaming'' and the licensee-based model we discussed in the previous key theme.

In chapter 2, Humphrey and Schmitz (2001) asserted that governance has to do with the exercise of control along the chain articulated by a set of questions including how it is to be produced or the definition of production processes (which may include the technology to be used, quality, labour and environmental standards). To this end, Granleese (2009) highlighted the Quality Control Division's (QCD) exercise of control that allowed Ghana to establish a reputation for quality which has in turn enabled it to achieve price premiums and the stability of forward contracting. The maintenance of quality cocoa exports has been one of the key advantages of Ghanaian cocoa in international markets. Quality attracts the price premium, and allows Ghana to sell more of its cocoa forward thus providing greater export stability and information on the likely revenue expected. On this basis Cocobod is able to set the minimum producer price, protecting farmers from seasonal volatility (IDS and University of Ghana, 2006).

According to interviewee 24-an executive logistics assistant from a prominent LBC-and interviewee 32-a corporate responsibility and sustainability head of cocoa from a prominent LBC-QCD exercises power and ensures quality in two stages. Firstly, QCD grades and seals cocoa beans initially at district level and secondly through second quality check when it's been delivered at warehouses/port. Also, despite the absence of price differential incentives from QCD to LBCs between grade 1 and grade 2 cocoa beans, according to Granleese (2009), QCD encourages good quality and exercise power through the threat of cocoa rejection, and the risk of sanction. In this case, the LBC will either receive only 50% of the cocoa's value, or the cocoa will be confiscated. Beyond sanctions, QCD has also been proactive in maintaining high quality. According to IDS and the University of Ghana (2006), QCD has been involved in pre-buying activities, particularly training LBC staff and increasing awareness amongst farmers regarding quality issues.

In this context, it is apparent that the conventional chain through QCD performs at a high level and at great scale in relation to quality. Therefore, as mentioned previously in the financing and external marketing primary themes, both FT GVCs are overlapping with the conventional GVC at quality level. To this end, interviewee 2-a programme manager from the Kuapa Kokoo-Divine GVC, suggested that:

> ''*It's really positive that Cocobod is still involved in terms of the quality of cocoa*''. On top of this, interviewee 2 and interviewees 28, 29-from the Cocoa Life-Mondelez GVC-mentioned that good farming practices training (including quality) takes places in both FT chains, complementing in this way the existing quality set up by QCD. Interviewee 9-an ex-director of a big chocolate brand/manufacturer-when asked about the role of FT proogrammes in cocoa bean quality in Ghana suggested that the ''*Ghanaian government is ensuring quality and puts a stamp on cocoa*''.

But beyond the product quality element in which FT has a marginal and complimentary role to the QCD, FT has previously focused on process quality through traceability. IDS and the University of Ghana (2006) advised us that traceability is one means of ensuring quality that has not generally been used in cocoa production, except for designated lines of certified cocoa like FT. However, interviewee 2 and interviewee 1-a Director of Policy from a FTO-informed us that traceability was abandoned 5 years ago in cocoa in favor of mass balance practice[13], whereby cocoa from ordinary farms and FT farms is mixed in the manufacturing process (but FT farmers still receive the FT price and premium for the e.g. 10% of the overall volume they have provided as FT). We will examine the specific reasons why this took place during the ''buyer-driven power structure'' key theme through examining the role of FTI, FTOs and licensees.

For the purposes of this section though, interviewee 2 insisted that:

> ''T*raceability is important because it highlights the physical link between consumers and producers, which is however, broken with mass balance*''. In fact, interviewee 3-a FTO Board

[13] There are two types of Mass Balance: a) Single mass balance-When a producer or company delivers a quantity of Fairtrade ingredients to a factory or site, only the equivalent amount of processed Fairtrade product leaving that site may be sold as Fairtrade, b) Group Mass Balance-The amount of Fairtrade product a company buys must match the amount of the processed product it sells as Fairtrade. The company will be audited on the total amount bought and sold from all of their production sites instead of each individual site (FTI, 2011).

Director-told us that for FTI to move away from traceability is ''*a mockery of transparency and many FTOs are unhappy because FT and FT principles are diluted*''. On the other hand, interviewee 4, a cocoa sustainability manager from a major retailer, told us that traceability is not feasible in cocoa due to the market selling structure and that moving to mass balance has helped with selling more volume. But, interviewee 2 countered that ''*despite increased sales the broken link problem between consumer and producer remains now and in the long run. This fact is very difficult to explain to consumers*''.

This development stands in stark contrast to the expectation that FT has generated to consumers, as we articulated in the sustainability key theme earlier, whereby consumers expect to be connected to farmers through their purchase of FT certified chocolate, without realising that this link is not as straightforward as they may think.

4**. Pricing –** The interdependency of power mechanisms is also present here, since quality allows forward selling (external marketing) thus providing greater export stability and certainty on the likely revenue expected, which in turns facilitates the setting of the minimum producer price. Setting the minimum price is yet another significant power mechanism implemented by the multi-stakeholder producer (price) review committee and chaired by the ministry of finance, during which the power play around the distribution of the revenue of cocoa bean exports takes place. As a result of this process all cocoa farmers obtain a price, which has been consistently above the minimum FT price. As such, the FT minimum price has been irrelevant for a number of years, a fact that again demonstrates the overlapping character of both FT GVCs with the conventional GVC at pricing level. In case this changes in the future, this would further highlight FT's limited scale as only 11% of the farmers would be protected by the FT minimum price, leaving the other 89% with a lower price.

In chapter 2, Humphrey and Schmitz (2001) suggested that governance has to do with the exercise of control along the chain articulated by a set of questions including what is to be produced and at what price. Interviewee 38-the executive manager to the CEO of Cocobod-indicated the lead role Cocobod has in pricing as yet another key power mechanism in its disposal. On this basis Cocobod is able to set the minimum producer price, which is set at the Producer (Price) review committee through a variety of stakeholders chaired by the ministry of finance and including a farmer representative from the national farmers' association, cocoa hauliers, LBCs, Institute of social statistics, the Bank of Ghana and the standards body (who conduct cocoa scale inspections). The starting point to kick off this process are the forward sales which determine the end of year FOB projected price. Then, research to determine the crop size follows. Based on the previous two factors, the total amount expected in $USD is calculated. In turn, the Bank of Ghana provides the rate to covert in cedis and following this, the committee deducts the costs of cocoa bags, disease/sprayment, high-tech costs, and scholarships from the previous amount and get the net FOB money at their disposal.

This is when the key power play for the distribution of the ‘‘pie’’ begins among the key commercial players including the hauliers, LBCs and the ministry of finance. Interviewee 36, a professor from the University of Ghana, informed us that ‘‘*the national association of farmers and their representative only represent farmers on paper as they are heavily embedded in national politics through a Board position in Cocobod and through funding from Cocobod in order to undertake major programmes*’’. The lack of independence and impartiality from the main political mechanism and structure does not allow for proper farmer representation and consequent proper negotiation and bargaining power. On the other hand, whilst interviewee 38 told us that all stakeholders are supportive of the farmers because they wouldn't exist without them, interviewee 35-a Cocobod Director-revealed that hauliers and LBCs lobby hard and usually get what they want in the end. Despite Cocobod running cost of production exercises to contest the claims of the participants, hauliers tend to leverage the fact they finance political parties in Ghana whilst, according to interviewee 38, LBCs often end up with some concessions like lower interest rates (related to the seed funding the receive from Cocobod) or reduced time to port (in order for them to effectively reduce their cost base).

The outcome of this process often results in farmers receiving minimum 70% of the net FOB, LBCs getting the second highest after the farmers which was around 8% in 2012, Cocobod getting 10% to pay for staff costs, hauliers around 3.5%, standards authority, QCD-2%, CMC-2% (for storing and trading cocoa), stabilisation fund (when prices go up and they have sold low, so that the farmers can maintain their income)-2%-interviewee 38. The fact that farmers get the most in this process, in comparison to what farmers get in fully liberalised systems as per table 5 earlier, has encouraged interviewees 37 and 38 from Cocobod to praise their work and present themselves and Cocobod as the institution who acts on behalf of the farmers and protects them from market forces in a paternalistic manner.

In this context, FT has advanced the FT minimum price to combat price volatility and provide the farmers with a safety net. In practice though, interviewee 20-a research officer from IDS-suggested that ''*although FT principles have been articulated in a way to combat problems that producers face, they haven't altered power distribution within the value chain*''.

Interviewees 28, 29-from Cocoa Life-Mondelez's GVC- and interviewee 2-a programme manager from the Kuapa Kokoo-Divine GVC-complimented Cocobod's involvement in the minimum price set In particular, interviewee 28 highlighted that:

> ''*The minimum FT price is irrelevant as it is set by Cocobod and because it's higher than the FT price*''. On top of this, even if FT minimum prices were relevant, it is clear that only 95,900 FT certified farmers would benefit (FTI, 2014). However the price set by the Ghanaian Government covers all 865,000 Ghanaian cocoa farmers, which would inevitably leave 89% of farmers receiving a lower price than the FT certified ones.

5.3.2 Ghanaian Government Role

Beyond the specific roles that Cocobod undertakes in relation to cocoa, interviewee 35-a Cocobod Director-and interviewee 36-a professor from the University of Ghana-suggested there are two key broader roles worth highlighting for the Ghanaian Government in relation to cocoa. The first one relates to the monetary policy and the second is linked to the lack of infrastructure investment. In line with Wallerstein's (1995) position on the role of states in capital accumulation, Chase-Dunn and Grimes's (1995) reference to the power of states over the lives of their citizens and as indicated by FT's theory of change we have examined in the previous key theme, it's beyond FT's limited scale, nature and scope to intervene, influence or change these roles that drive impact across both FT chains.

1. **Monetary Policy** – Cocoa is central to the Ghanaian economy through earning foreign exchange (FX) and CMC's monopoly in the external marketing of cocoa beans is key in securing it. This is underpinned by the pricing mechanism we described earlier through the producer (price) review committee that may provide 70% of the FOB to the farmers, but the rest goes to maintain the system of bureaucratic control around securing the much needed FX. In addition, the share of FOB the farmers receive is further undermined when considering the significant depreciation of the Ghanaian cedi against the USD.

In chapter 2, Gereffi and Fernandez-Stark (2011) mentioned that GVCs are embedded within local economic, social and institutional dynamics. In light of this, we have already analysed the extent of Cocobod's financing, external marketing, quality and pricing power mechanism and hinted for the central role cocoa plays in the economy through the fact that the Producer (Price) review committee is chaired by the ministry of finance. On this note, interviewee 36, highlighted that:

> ‘‘*Cocoa is the main currency exchange earner so they don't want to change the structure, whereby 70% of the price goes to the farmer with the remaining going to pay the structure in order to maintain the system of power*’’. This was echoed by interviewee 35, who argued that ‘‘*the remaining 30% goes to Cocobod and others in order to maintain the system in place that allows control of a main source of income for the country and maintains the power over farmers*’’.

The importance of cocoa in the Ghanaian economy in relation to FX can be demonstrated from table 6 below, whereby we see the consistent contribution of cocoa exports as a percentage of the total export revenue in Ghana. FAO (2013) further added that cocoa is the most important export crop in relation to its GDP contribution, which stood at 8.2% in 2010.

Table 6: Cocoa exports as share of Ghanaian export revenue

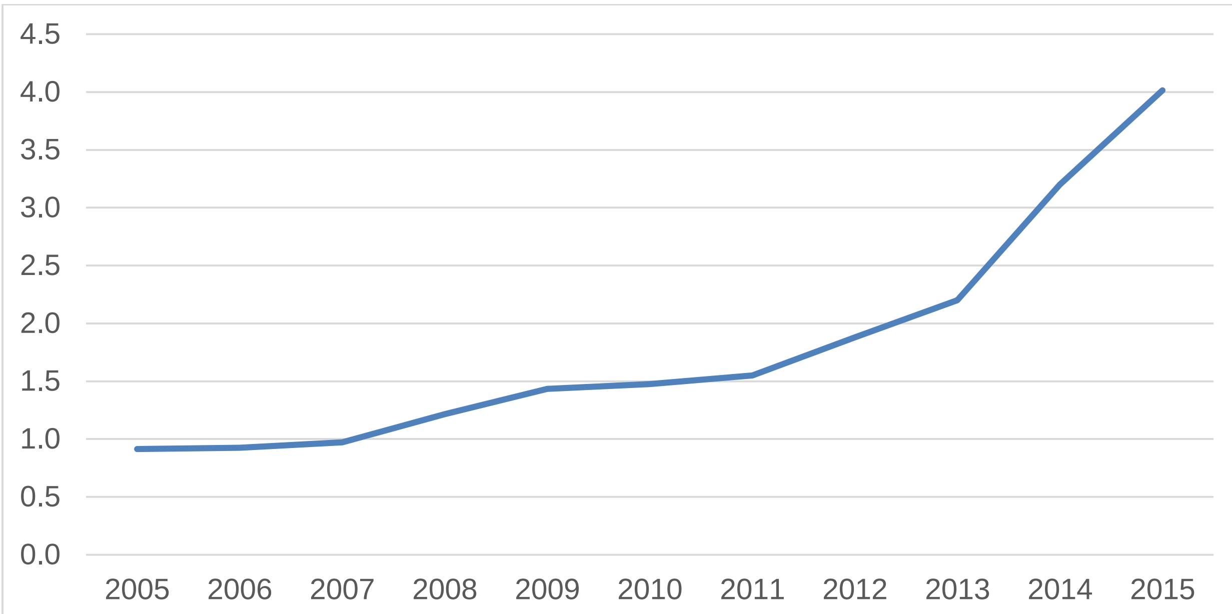
Year	1990	1995	1999	2003	2005	2007
Cocoa Export Share	40%	46%	27%	39%	36%	32%

Source: Tiffen et al, ICCO, Economic Intelligence Unit quoted in Granleese (2008)

The extent of political influence in relation to FX through cocoa trading was made explicit during our discussion with interviewee 37-a CMC marketing manager. He admitted there is significant pressure when making trading decisions as they realise the importance this has for the broader macro-economy but also for the farmers on a micro level through the FOB price they will receive through the workings of the producer (price) review committee. This pressure is carefully managed through a hedging strategy that spreads the risk through having buyer diversity and selling at different timeframes in order to smooth return and provide stability. But even sophisticated hedging and trading strategies had to be put aside in the past due to a political decision that forced them to make a sale.

Also, as we have seen earlier, despite the better prices farmers receive in relation to their counterparts in fully liberalised markets and the associated enthusiastic claims of Cocobod officials, interviewee 35 chose to counter them by highlighting the significant depreciation of cedi against the USD, as per figure 14. So, although the farmers were getting more cedis, their relative value was lower against the USD compared to previous years. Consequently, interviewee 42-a technical advisor in the World Cocoa Foundation-advanced that ‘‘*the cedi value has dropped over the past few years prompting the prices of inputs to go higher*’’, putting in this way the high FOB % farmers received in perspective.

Figure 14: Cedi (GH¢) per $USD Exchange Rate-Dec. Interbank Market



Source: Bank of Ghana Statistical Bulletin (2010, 2015)

2. **Lack of Infrastructure Investment** – Beyond the depreciation of the cedi against the dollar, the lack of infrastructure investment by the government, especially across transport, was visible and detrimental for farmers’ well-being. This has also been the case for investment related to the cocoa supply chain, such as stocking infrastructure. In relation to this, FT has been limited given its scope and resources to address large scale infrastructural challenges. In particular, in the Cocoa Life-Mondelez GVC, the FT premium has been directed exclusively to farm improvement and not broader infrastructure investment, limited by their productivity-led corporate sustainability approach in response to their security of supply concerns. On the other hand, in the Kuapa Kokoo-Divine’s GVC, some of the FT premium has been used in health services, and education, but the investments do not reach the whole membership.

In chapter 2, Gereffi and Fernandez-Stark (2011) outlined the five main dimensions the GVC approach explores which included the institutional context and the infrastructure availability within GVCs are embedded. In light of this, farmers cited infrastructure as one of the main challenges, including transport and access to schools-interviewing groups 30 and 31. Indeed, the first visible infrastructure challenge we faced was transportation and good roads on the way to conduct interviews with farmers in the main farming region, Ashanti. Interviewee 35-a Cocobod Director-admitted that the ''*Government hasn't done much for farmers. They haven't catered for infrastructure (roads, transportation), education (schools are far away), so these issues magnify and contribute to the issue of child labor*''.

IDS and the University of Ghana (2006) added that the lack of transport related infrastructure has a tremendous impact on cocoa and non-cocoa activities and on market access, accessibility of services and other facilities. The lack of good transport links was related to the second most often cited infrastructure challenge related to cocoa, lack of schools, lack of accessibility or lack of teachers/equipment, that has been driving child labour in cocoa farms. Interviewee 36 explained that since schools are not available or inaccessible, parents tend to take their kids with them in the cocoa farms to help them out as the cocoa production process is a highly labour intensive process and it’s expensive to hire labour. In this context, he emphasised that:

> ''*It's easy to understand that it's not just about the FT price that FT offers or Cocobod’s FOB price, farmers need a fair price that allows them to pay for all the extensive steps involved in the production process and proper infrastructure to be in place*''.

Other interviewees, like interviewee 42-a technical advisor in the World Cocoa Foundation-focused more on the lack of government investment related to the cocoa supply chain. To this end, he referred to the stocking infrastructure as means to control world cocoa prices and increase the amount of farmers will be getting for their cocoa. Since the price of cocoa is based on stocks and since Ghana is currently selling forward without warehousing, Ghana would be able to benefit more if they were able to provide more infrastructure for stocking cocoa beans. Stocking will help in the control of world prices and eventually increase the amount farmers will be getting for their cocoa. The Dutch cocoa processing industry, for example, are thriving because of their good system of stocking.

In this context, interviewee 19-a manager from the Cocoa Life-Mondelez GVC-mentioned that Mondelez have been having policy discussions with Cocobod as part of their involvement in Cocoa Life, as well as looking at infrastructure challenges within their holistic programme in their communities. However, it has been made clear to us by interviewee 28-programme manager from the Cocoa Life-Mondelez GVC-that:

''*The FT premium needs to be used for farm improvement only as per Mondelez's demands*''. On the other hand, according to Nelson et al. (2013), Kuapa Kokoo has invested some of the Fairtrade premium in health services and education (e.g. school refurbishment/construction), but the investments do not reach the whole of Kuapa's membership.

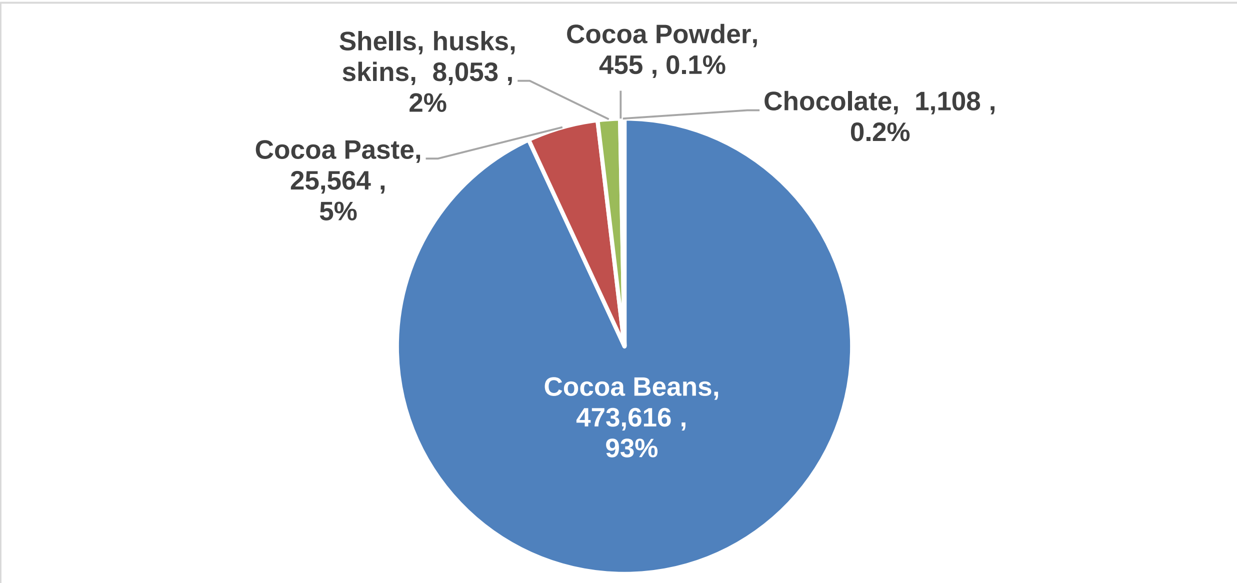
5.3.3 VALUE ADDED

Beyond the national dimension we have already articulated through Cocobod's power mechanisms and the specific roles, motivations and actions (or the lack of) that the Ghanaian government undertakes in relation to cocoa, there is also a strong international political dimension. This is often exercised through foreign governments' tariff escalation and foreign direct investment which are underpinned by the lack of genuine Ghanaian ambition or success regarding in-country value added policies. In this section, we will therefore argue that whilst processing and marketing add value, most developing countries including Ghana tend to export raw cocoa beans, unlike the developed ones that add value. Whilst FT's scope does not allow involvement in this, the main drivers for this have been tariff escalation, foreign direct investment and national policies.

Therefore, the following analysis is in line with Wallerstein's (1995) position on the role of states in defending capital accumulation and monopolising capitalists against competition. It also builds on the systemic approach of GVCs and world-systems theory that focuses on the core-periphery power relations as the real development dynamic whereby core states are outcomes of this rather than units (McMichael, 2000). In relation to FT, as indicated by FT's theory of change we have examined in the previous key theme, it's beyond FT's limited scope to intervene and influence impact related to upgrading from the political angle. In light of this, we earlier referred to upgrading through Gereffi and Fernandez-Stark (2011) who described it as the movement within the value chain by examining how producers can shift between different stages of the chain. This could take place through product, process or functional upgrading. Here, we will only focus on upgrading from a political/national government angle. Upgrading will also be further discussed in the ''buyer-driven power structure'' and in the ''chain relations and coordination'' key themes from Divine's and Mondelez's point of view within their FT chains.

To illustrate our argument on value added above, Oxfam (2002) noted that processing and marketing add value along the supply/value chain. Since most commodities from developing countries are exported in unprocessed form, only a tiny share of final value stays in the exporting country. On the other hand, value added by processing and marketing remains in industrialised countries. With regards to cocoa, FAO (2004) indicated that developing countries concentrate on exporting over 80% of unprocessed cocoa beans instead of adding value through processing and marketing. Ghana exacerbates this pattern since, as per figure 15 below, raw cocoa beans on average accounted for 93% of the average total export of raw, semi-finished and finished cocoa products from 2005-10. We examine the main drivers of this trend below.

Figure 15: Ghana raw/processed cocoa share of exports - (2005-2010) average in tonnes



Source: Calculated from FAO (2013)

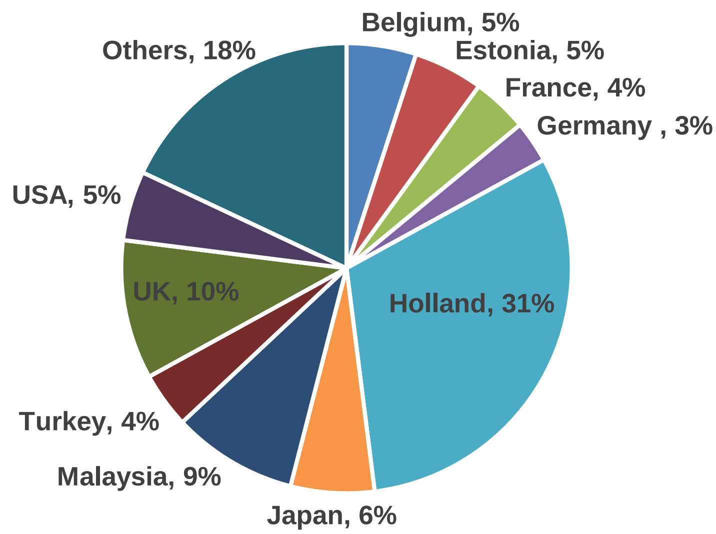
1. **Tariff Escalation –** Tariff escalation contributes to the large percentage of raw cocoa beans exported as opposed to adding value in Ghana and exporting semi-finished products or chocolate. This is largely taking place as a result of EU's exercise of power in order to protect the extensive European (mainly driven by the Dutch) chocolate processing industry. Since FT's scope is to work within the existing trading system, it is not within its scope to challenge tariff escalation or similar power mechanisms that are disadvantaging developing countries and their farmers.

To illustrate, interviewee 36, explained that:

> ''*Although they try to add value in Ghana as indicated by Ghanaian government's target on paper to process 60% of cocoa in country, there is tariff escalation in place by the EU on the basis that they have an extensive processing industry in the Netherlands, which they want to protect from competition*''.

Building on this FAO (2008) added that cocoa beans face 0% tariff facilitating in this way their export in raw form, whilst FAO (2004) suggested that tariff escalation is particularly pronounced and stands at 9% for cocoa butter and 22% for chocolate. In order to further justify the significance of the European processing industry in the tariff escalation power mechanism, we note the World Cocoa Foundation's cocoa market update (2014) whereby it's suggested that the Netherlands is the largest processing country by volume, handling about 13% of global grindings and Europe as a whole comprises nearly 40% of the processing market. On top of this, it is evident from figure 16 below why the EU has a strong incentive to maintain the tariff escalation mechanism in place, since they imported around 58% of the raw cocoa beans from Ghana.

Figure 16: Main cocoa trade partners of Ghana by volume (tonnes) in 2005-2011



Source: Cocobod quoted in FAO (2013)

2. **Foreign Investment/Support** – Foreign governments are also trying to protect their industries in ways beyond tariffs, that involve direct investment on-the-ground where cocoa is produced. In mirroring the corporate sustainability agenda of TNCs we referred to in the previous key theme, national governments of developed countries, like the Netherlands, are investing in Ghana in order to ensure security of supply. In relation to FT, the scale and nature of support of this kind of initiatives is vastly different to the one provided by DFID for Divine's chocolate set-up.

To illustrate the ambition, IDH (2010) suggested that the Dutch cocoa sector is very dynamic and puts a lot of effort in becoming sustainable. The Netherlands, being a prominent player in the cocoa sector, want to contribute to that by giving a clear signal towards this objective. Therefore, in collaboration with the Dutch Initiative for Sustainable Trade (IDH), the Dutch Ministries of Agriculture, Nature and Food Quality, Economic Affairs and Foreign Affairs have been preparing a letter of intent to be signed by national and international players in the Dutch cocoa market. By signing this letter, they commit to strive for the achievement of full sustainability by the year 2025.

Following this, interviewee 33-a logistics manager from a major cocoa processor/trader-elaborated that ''*the Dutch Government pledged $7million in 2013 in support of cocoa sustainability and other social issues in cocoa*''. Solidaridad (2013), a major civil society organisation providing sustainability services, confirmed that they have secured a major funding deal worth €7 million through the Dutch Embassy in Accra to implement the Cocoa Rehabilitation and Intensification Programme (CORIP) over four years. This programme will enable them to go beyond certification, through laying the foundations for long-term sustainability so that farmers can earn their way out of poverty. To this end, a consortium of Ghanaian government partners, key private sector partners and knowledge institutions will develop new production models that will emphasise on the economic benefits of sustainable production.

In this context and in relation to support from foreign governments at a more modest scale and nature, interviewee 12-an ex-chair of a FTO-highlighted that Kuapa Kokoo in the past has received DFID's £400,000 loan guarantee to set up Divine Chocolate. This took place whilst underlining the success and uniqueness of Divine's model to the extent no else could replicate their farmer ownership model in a commercial way. However, he acknowledged the limitations of Divine deriving from its limited scale and capital scale. In fact, it was suggested that the difficulty lies in getting the investment without diluting farmer ownership and argued that if political support was in place through DFID-just like in the past-could support and fund Divine at Mondelez's scale.

3. **National Policies** – As we have already discussed, both tariff escalation and foreign direct investment do not encourage further value-added processing of raw cocoa beans in Ghana. Nonetheless, this is underpinned by a genuine lack of ambition and willingness for a value-added in-country strategy. Despite the potential to fill this gap, at FT principle level, FT is also geared towards exporting raw cocoa beans instead of adding value on the basis of the financial resources required. Contrary to FTI's stance, at implementation level in Cocoa Life-Mondelez's GVC, value added has been acknowledged as a shortcoming.

Despite the earlier claim of interviewee 36, that Ghanaian government's target is to process 60% of cocoa in country, interviewee 46-a deputy marketing manager in CPC-provided us with a different reality. CPC is the local processing company, whose majority shareholder is Cocobod, which manufactures semi-finished products and sells mainly to European wholesalers/international traders. CPC operates with very small margins and require to do transactions in large volumes in order to make reasonable profit. However, they are forced to operate at 50% capacity when they actually require at least 80% operation in order just to break even. This is due to security of supply issues, or to put it simply, multinational processing companies are providing very stiff competition as they compete for the same beans, thus making it difficult for CPC to compete via securing the right amount of beans required to run a profitable business at over 80% capacity. The key to this is CMC's preference to selling beans to multinational processors. ''*Although both CPC and multinational processors pay in USD, which fulfills the government's monetary FX goals, CMC still prefers to sell cocoa beans to the multinationals on the basis of wanting to be the rich man's friend and potentially larger scale of purchasing*''-ibid.

As a result, CPC has been loss-making for many years and now that the local demand is picking up they cannot recapitalise due to poor historical financial performance. Furthermore, previous government policy was towards adding value to semi-finished and not to the end product due to limited local demand. Consequently, CPC's previous expansion was geared towards semi-finished products and not end product as they failed to account for good future income analysis that would allow investment in the end product-interviewee 46. Although internal demand for chocolate has been low in the past, interviewee 45-the Head of Cocoa Life programme-cited the opportunity to curb the power of international processing companies through the growth of internal demand. Hence, she called for the government to revise its decision not to invest in exploiting the local market, stimulate internal demand and limit its focus on selling raw cocoa beans for foreign exchange.

The above narrative could potentially present an attractive opportunity for FT or other schemes to support or facilitate a shift to value added in country. However, FT's sole focus on raw beans and lack of any value added related principles, as we have seen in chapter 2, does not help towards this end. To counter this, interviewee 47-a manager from FTI- highlighted the significant scale and financial muscle required to add value and the difficulty with adding value through processing cocoa as opposed to tea. She also argued that ''*horizontal integration through fermenting and drying adds value and it's more realistic due to the zero capital required*''. However, interviewee 45 stated that:

''*Farmers remain dependent if they only export raw beans and advocated for the creation of a brand which looks at local manufacturing, whilst asking what would happen if big brands lobbied for only 1% of the chocolate to come from cocoa beans*''.

5.3.4 FARMER ORGANISATION AND EMPOWERMENT

Despite FT's severe limitations in value added and the areas we discussed earlier, farmer organisation and empowerment has been noted as one of the areas that FT is making great and true difference. As such, in the following paragraphs we will develop this through building on our feminist power analyses we presented in chapter 2, whereby we outlined power seen as empowerment in the sense of a capacity or ability to empower or transform oneself and others. Consequently, Temperley (2013) suggested focusing on power emerging through cooperation between the dominated in order to acquire a fuller understanding of different strands of power and a bottom-up view of power. On this note, all of the cocoa farmers we have interviewed in Ashanti, from interviewing groups 30 and 31, stated that empowerment to them is paramount. They linked empowerment to political empowerment and farmer organisation and suggested that it is more important than economic empowerment. They also highlighted this is the case as:

''*Political empowerment gives them the ability to negotiate for better economic incentives and that political empowerment is important for them in order to sustain any benefits going forward*''. On this basis, the certification and deputy certification manager from Armajaro-interviewee group 27-highlighted the importance of FT in ''*ensuring sustainability through the strengthening of the farmer organisation which will remain in place when certifications like FT might not be in place*''.

1. **Conventional GVC Farmer Empowerment –** So far in this key theme, we have argued that Cocobod, the Ghanaian government, hauliers, LBCs and foreign governments are well organised and have great power in the conventional chain as compared to farmers. In particular, at national level, this ''power over'' is often articulated in a paternalistic and highly political manner and utilised in order to gain political edge. To counter this, farmers can only rely on some profit-driven LBCs who run FT certification but do not truly help farmers organise themselves, or the National Farmers' Association, which is embedded in the political structure itself.

To illustrate the political manner that power is exercised in Ghana in relation to cocoa farmers, interviewee 41-a cocoa program officer from Solidaridad-told us that:

''*Cocoa in Ghana is a political crop as it is the main foreign exchange earner, but is also leveraged as a mechanism to collect votes through distribution of fertilisers and road construction ahead of elections*''.

This has been further underlined by a highly disempowering and paternalistic culture cultivated mainly by Cocobod officials who claim that farmers cannot do it themselves as they don't know where to spend money on-interviewee 47. This has been verified by interviewee 18-a Cocobod marketing manager-who made a series of statements about farmers that display the lack of empowerment prevalent: ''*All efforts to help farmers including certification and sustainability schemes must be coordinated with Cocobod as farmers are not educated*''… ''*Big companies cannot understand the sociopolitical context; farmers will go ahead and get married with the additional certification money*''… ''*Cocobod did not fully liberalise because they don't want anyone to deal with farmers directly*''.

As discussed above when interviewing cocoa farmers, from interviewing groups 30 and 31, it quickly became apparent that farmer organisation and stronger unions are an essential demand of farmers. This is particularly striking when considering that the majority of farmers are not members of the farmers' association, they are members of LBCs though, according to interviewee 36-a professor from the University of Ghana. Within LBCs, we were often told that farmers are not empowered at all and have a rather transactional relationship with mainstream LBCs, something we will talk about in more detail later. This relationship is slightly different though when farmers are involved with LBCs who are undertaking FT certification like Armajaro. Due to the FT requirement of setting up a farmer cooperative, the LBCs have to facilitate the formation of farmer groups. Although interviewee 26-the head of sustainability from Armajaro-claimed that their farmer groups are more efficient than others because they always have LBC representatives at their meetings, interviewee 41 reminded us that often such LBCs do not formally register the farmer group as a co-operative. This is taking place due to the high cost of registration but also so that the farmers have less power and carry on selling to them whilst having less of say where the FT premiums go.

In our attempt to understand whether there was any organisation that farmers could rely on in terms of proper representation and empowerment, interviewee 36 pointed to the National Farmers' Association, which we briefly talked about earlier. Interviewee 43, the National Chief Farmer of the Association, suggested that some of the advantages of his Association were its national remit, access to Cocobod and its bottom-up representation approach. However, the disadvantages, cited by interviewee 36, pointed to the fact that it's embedded in the existing highly politicised structure to the extent that it can't adequately represent farmers and that farmers don't feel a sense of belonging. Instead they feel they belong to district/community level whilst the government deals directly with the association however. In this context, farmers unions are unable to get assistance for farmers unless there is political motivation. As a result, interviewee 35, a Cocobod Director, explicitly told us that:

> ''*Farmers are the weakest, they have no voice, but if they had more political power they could rattle the system*''.

2. **Kuapa Kokoo-Divine GVC Farmer Empowerment –** On the other hand, Kuapa Kokoo-Divine's GVC has unanimously being acknowledged to be the best for farmer empowerment, including farmer ownership, a bottom-up approach, forward integration, close relationships and women empowerment, underpinned by strong democratic processes and governance. As a result, we argue that this chain went above and ''beyond FT'' principle level and the result of this could be classed as upgrading. To elaborate, the key ingredients of this success relating to empowerment that were often mentioned during our interviews are:

a. **Ownership of Divine –** We earlier saw that Kuapa Kokoo's farmers decided to invest in a chocolate bar of their own and launched Divine Chocolate in order to capture more value from the retail price of chocolate and not because of the FT principles we earlier examined in chapter 2. Nonetheless, this has further advanced and promoted FT as a key example of a successful FT case study, although its uniqueness cannot be fully attributed to FT. On this note, interviewee 9-an ex-director of sustainability from a major chocolate brand/manufacturer-noted that:

> ''*Divine is characterised by farmer ownership, while empowerment is the main difference between FTOs and commercial organisations as this is the true value of FT that derives from the FTO model of ownership*''.

To support this, interviewee 10-a senior Manager from the FT Foundation-and interviewee 11-an ex-sustainability director from a major chocolate brand/manufacturer-informed us that Divine's belief in FT is manifested through farmer ownership. Interviewee 12-ex-chair of a FTO-further advanced that their model on farmer ownership has attributed a different meaning to the relationship between farmers and consumers. As a result of this, Nelson et al. (2013) suggested that the 45% part-ownership of Divine also allows for dividend payments when profits are made and a producer support levy is paid by Divine to the Farmers Trust.

b. **Bottom-up and collective approach to empowerment** – Interviewee 35 pointed to the fact that the main feature of Kuapa Kokoo-Divine's GVC is the bottom-up approach. In turn, interviewee 12, highlighted that Divine has been enabling people to think in a different way, through giving farmers the freedom to make their own decisions on how to spend a. the price of cocoa, b. FT premium, c. Divine's supply chain investment through 2% of turnover and d. dividend. As such, ''*Divine doesn't fit the Northern intellectual model-they utilised a bottom-up model instead*''. Interviewee 45-the Head of Cocoa Life programme-added that with regards to the payment and decision-making on FT premiums, although Kuapa system's was initially at national level after consultation with farmers they have decided to decentralise.

c. **Forward integration** – In the conventional GVC context we have set out earlier, LBCs buy farmers' cocoa beans. In Kuapa-Divine's GVC though, interviewee 26-the head of Sustainability from Armajaro-told us that Kuapa Kokoo Ltd was set up by the farmers as an LBC to buy their own cocoa. This is also an initiative that did not take place solely because of the FT certification that does not entail provisions for forward integration. Nelson et al. (2013) suggested that 97% of Kuapa Kokoo Ltd is owned by the Kuapa Kokoo farmers' union, whilst confirming that Kuapa Kokoo continues to be the only farmer-owned producer organisation with a license to buy cocoa in Ghana, partly as a result of Fairtrade and the support from partner organisations such as Twin. In addition, interviewee 2-a programme manager from the Kuapa Kokoo-Divine GVC-suggested that the ''*set up through the LBC buying the farmers cocoa allows for traceability*'', which boosts quality as we have explained earlier.

d. **Kuapa Kokoo-Divine relationship –** The in-depth relationship between Kuapa Kokoo and Divine has already been established through Divine's set up we talked about earlier. This relationship has been maintained and strengthened in the ensuing years, according to interviewee 19-a manager from the Cocoa Life-Mondelez GVC-who argued that ''*Divine is closer to Kuapa so they know where the FT money goes and are involved in the day-to-day operations*''. On the same note, interviewee 9, informed us that ''*Divine is specifically characterised by an in depth relationship with Kuapa Kokoo, through mutual risk sharing and accountability*''. Beyond this, at operational level, interviewee 8-a Board member of a FTO-referred to the close working relationship between Divine and Kuapa through the partnership with Twin. As such, Nelson et al. (2013) explained that since Divine started to turn a profit it has dedicated 2% of its annual turnover to a Producer Support and Development (PS&D) programme, implemented by Twin with Kuapa Kokoo. This programme has facilitated farmer empowerment through recruitment and mentoring of senior managers, facilitating farmers' involvement in FT consultation processes and education and information campaigns.

e. **Democratic governance and processes –** Kuapa Kokoo has invested in developing a democratic organisation, run by farmers, with regular meetings that take place at different levels and opportunities for farmers to rise to management. This has led to an established governance structure that holds elections and an AGM. On top of this, Twin has been supporting education and information campaigns with members on democratic principles, training for newly elected representatives of the national, district and society executive councils to understand their roles and responsibilities as leaders, and reviews of organisational governance and structure and exposure to good practice in other cooperatives (ibid). Interviewee 2 suggested that:

> ''*The level of empowerment achieved in Divine's chain has urged them to view upgrading form the angle of supporting democratic governance, operational systems and empowerment though organisation in cooperatives. This is on the basis that democratic organisation is more important than certification and volumes sold*''.

In relation to the bottom-up and collective approach to empowerment we described earlier, interviewee 7, an ex-Chair of a FTO, underlined that farmers determine how to spend the FT premium through democratic procedures.

f**. Women empowerment** – In line with our gender-aware approach in chapter 2, FT in Kuapa-Divine's GVC has been instrumental in facilitating women empowerment. To this end, interviewee 8 suggested that the Kuapa Kokoo-Divine GVC with the support of Twin are aiming for broader development indicators such as female emancipation. Therefore, Kuapa Kokoo has a clear policy on gender equality and women's empowerment underpinned by a genuine commitment to supporting women smallholders. This can be illustrated by the fact that clear quotas for women's representation at different levels are set and at least two executive positions are reserved for women. The most notable example is that the President of Kuapa Kokoo's union is currently a woman (Nelson et al., 2013). Another example comes from a woman who was elected in management as a society recorder, which allowed her to mobilise women farmers into forming group to manage an income-generating project (Twin, no date). These initiatives have led interviewee 3-a FTO Board Director- to link women empowerment to upgrading.

3. **Cocoa Life-Mondelez GVC Farmer Empowerment** – In contrast to Kuapa Kokoo-Divine's GVC that is more established and has been there since 1997, Cocoa Life-Mondelez's GVC has

been only established recently, in 2012. This has resulted in limitations when trying to identify the exact nature and extent of empowerment. What has become apparent though, is that despite the formal democratic procedures and decentralised approach to FT premiums, farmer empowerment in this chain has been top-down, excluded farmer ownership and was driven by security of supply considerations, which have been guiding the programme, as per our sustainability key theme earlier.

In our chains description earlier, we outlined the five outcomes that Cocoa life is striving to achieve, that also demonstrate Cocoa Life's intention to go beyond the confines of FT as articulated by its principles. Although political empowerment was not mentioned as part of the list, interviewees 29- the project facilitator & district lead from Cocoa Life-Mondelez's GVC-informed us that in terms of a formal process, the department of cooperatives was involved in registering farmers as a cooperative whilst membership has been increasing in the unions. With regards to democratic processes and governance, they highlighted that AGM and elections take place, whilst they audit adherence to democratic procedures and facilitate farmers' forums at district and national level. Beyond this, we were told that farmers are required to develop action plans at community, district and national level and they ensure that at least the community action plan is working. Finally, they have been empowering farmers through negotiation skills improvement so they can deal better with input dealers and hold government officials accountable.

In terms of gender empowerment, interviewee 45-the Head of Cocoa Life programme-highlighted the need to go beyond farmer level and mobilise farmers around development issues including gender and voice. As such, Cocoa Life (2014) first established a baseline which indicated that female farmers have levels of income and productivity 25-30% below those of male counterparts. On this basis, they identified that interventions across Cocoa Life's five desired outcomes that effectively address gender gaps in farmer training and access to finance could have large positive impacts on productivity and income levels for female farmers and sharply reduce gender inequality in the sector. In contrast to Kuapa Kokoo's interventions on women and the quotas for women's representation, the explicit focus on productivity of the overall programme including gender interventions, as well as the lack of focus on political empowerment, was confirmed by interviewee 45. Interviewee 1, a director of policy from a FTO, confirmed that:

> ''*Mondelez invest in FT, but that's to ensure their security of supply. As such, they launched Cocoa Life to improve sustainability and productivity*'', whilst interviewee 35-a Cocobod

Director-stated that ‘‘*Mondelez go about their security of supply motivation in a subtle way through helping the community and without focusing on the political dimension*’’.

Besides the lack of focus on political empowerment, interviewee 45 suggested a subtle difference between Cocoa Life and Divine regarding empowerment: ‘‘*Cocoa Life operates at the district level and is much closer to the farmers than Kuapa who had national system and is now trying to further decentralise like we have*’’. She further added that Cocoa Life’s approach is more beneficial with regards to payment of FT premiums to the farmers as decision are being made closer to the farmer level. Nonetheless, this has been undermined by the focus on productivity we mentioned before, since interviewee 28-programme manager from the Cocoa Life-Mondelez GVC, mentioned that:

‘‘*The FT premium is going only towards farm improvement for productivity purposes*’’.

This leads us to the other key differences noted which are related to ownership and the bottom-up approach to empowerment that Divine has practiced extensively. Interviewee 35 has labeled Cocoa Life as ‘‘top-down’’ as it doesn’t involve ownership or forward integration to LBC driven by their farmers’ cooperative and, as we have seen earlier, decisions are made on the basis of productivity and security of supply concerns from the top. Instead, farmers only get advice regarding the best LBCs to buy their cocoa with the main buyer being PBC. Interviewee 45 also suggested that, in Cocoa Life, farmers got together in 3 ways. Firstly, the first 100 communities were chosen by the partners of the programme. This resulted in 10 - 12 percent of the communities having little interest in the programme. Secondly, farmers came together through applying and responding to media advertisements through which 109 communities were selected. Lastly, another 130 undeserved communities from the Volta region were indicated from Cocobod and selected by Cocoa Life. Therefore, on the basis of the top-down approach and lack of political focus, interviewee 9 questioned Cocoa Life’s definition of empowerment and true motivation, whilst explicitly saying that:

‘‘T*he difference between Divine and Mondelez is farmer empowerment*’’.

4. **Limitations –** Despite the differences in relation to the nature, definition, motivations and features of empowerment between the FT chains described above, both chains face certain limitations that haven’t allowed them to fully effect large scale change and true power shift. These limitations can be grouped into: Contextual, scale, demand and cooperatives specific.

We argue that the contextual limitations arise from the historical mistrust of cooperatives in Ghana, as well as the infrastructural challenges and gender norms. As such, the farmer empowerment through democratic organisation in cooperatives and gender-focused initiatives we described earlier across both GVCs, has been limited to a certain extent. As such, we have build on what we earlier discussed in chapter 2, whereby Gereffi and Fernandez-Stark (2011) outlined the five main dimensions the GVC approach explores which included the institutional context and the infrastructure availability within GVCs are embedded. To this end, interviewee 35 highlighted the historical dimensions related to farmer empowerment through organisation in cooperatives in Ghana. He referred to the traditional mistrust of cooperatives in Ghana especially from the 1960s when co-operatives were imposed to farmers and their leadership exploited the farmers. The fact that Kuapa had corrupt leaders at some stage-who they managed to get rid of -verified the historical view. Interviewees 27-certification manager & deputy from Armajaro-further pointed to the embedment of cooperatives in Ghanaian politics due to political parties utilising cooperatives in their partisan politics, but also because of the political ambitions of the cooperatives leaders. This underpins the weakness of cooperative power in Ghana in representing farmers' interests and marks a stark difference with cooperatives in Ivory Coast and Latin America which are stronger. The embedment in Ghanaian politics has also been verified through our experience of the National farmers' association we discussed earlier.

The embedment in Ghanaian politics and the adverse impact on business can be illustrated from the following narrative around Kuapa's past involvement in politics that allegedly contributed to Kuapa's business decline since 2006 when it was the 3rd best LBC in Ghana. The then president of Kuapa's union belonged to the opposition party at the time in Ghana and attempted to convince farmers to vote for the opposition party in the upcoming elections. At the same time, he had financed his son to contest as MP of the opposition party. So, when the then Kuapa's president lost the union elections in 2006-which was flawed with lots of controversies-this eventually led the union and the entire company into a legal tangle. As a result, many of the farmers lost hope in the union whilst it lost most of its buyers because of the legal battle and the inability on the part of Kuapa to provide the target for buyers and perform (ibid).

In relation to gender and the associated initiatives we mentioned earlier, Nelson et al. (2013) conveyed that despite the initiatives that took place in the Kuapa-Divine's GVC, there has been no significant change in gender relations manifested through the control of income and assets or the gender division of labour within households, although women's representation has increased.

Historically, women generally have had less access to and control of land compared to men and the entrenched socially ascribed gender norms in farming have not been overturned.

Another important contextual consideration was brought to our attention when interviewee 36-a professor from the University of Ghana-reminded us that:

> *''It is challenging to achieve proper representation when farmers are hampered with the education, health and infrastructure issues''*, as we outlined earlier. ''*Despite the legitimate efforts for farmer organisation and political empowerment that FT facilitates, farmers are inevitably interested more in the FT incentives, like the FT premium*''.

This is because they see the route through being members of farmers association costly and impractical, as they would likely need to travel to district level to join meetings. However, associations at this level are not strong enough; only national-level unions are strong if they are not embedded in the existing political structure. This demonstrates the scale challenge that interviewee 4-a cocoa sustainability manager from a major retailer-and interviewee 8-a Board member of a FTO-posed for FT when discussing farmer empowerment and organisation. According to them, FT through both Divine and Cocoa Life are niche. In particular, interviewee 35 quantified the limited upgrading potential of FT it for us. Using volume as the only criterion, he highlighted that only 1% of volume sold is in FT terms ''*and even if you add up volumes from all certifications, it wouldn't go beyond 5% of the overall volume*''.

The third type of limitation derives from the choice of FT to ''go mainstream'' that inevitably means having to align to the profit-driven motives of the TNCs. To this end, both FT GVCs have been limited with regards to their potential to enhance farmer empowerment due to business imperatives and demand that depends on a purchasing decision of a buyer abroad. For example, interviewee 4 expressed concerns about the scalability and the business rationale of FT on the basis that it is very costly and cumbersome to run democratic processes in a context whereby farmers are so geographically spread. In particular, she expressed her willingness to source FT cocoa and chocolate from Latin America as opposed to Africa and Ghana since she thinks that democratic organisation into co-ops is not feasible and practical.

The fourth type of limitation was brought to our consideration by interviewee 32-a corporate responsibility and sustainability head of cocoa from a prominent LBC. Whilst acknowledging the importance of political empowerment, he emphasised the significant role of motivations in farmer organisation and empowerment. He stressed that 40% of these cocoa farmer organisations are dysfunctional as many of these are formed and run on wrong motives and this threatens their survival. FT premiums are supposed to motivate farmers, but farmer organisations tend to focus and depend too much on the money from premiums, which is bad for the sustainability of the farmer organisation. Furthermore, the size of the farmer cooperative was cited as one of the success factors as benefits are spread thinly in case of large membership and leadership often loses direct contact with farmers (Nelson et al., 2013). To this end we were informed that the majority of Kuapa's problems stem from their large membership-interviewee 35.

5.3.5 Conclusion

The main argument in this key theme was founded on Wallerstein's position (1995) around the role of states in defending capital accumulation, in relation to FT's choice to work with TNCs instead. This was underpinned by a situation whereby Cocobod exercises extensive power mechanisms like financing of cocoa purchases, external marketing of cocoa beans, quality control and pricing. In this context, both FT GVCs had no option but to comply and work within these parameters, which effectively means that the FT and conventional GVCs overlap at financing, external marketing, quality and pricing level.

As such, across these levels, FT was deemed redundant due to the strong role of the state in a partially liberalised market structure and the scale of the undertaking. However, FT could potentially provide a complimentary role in quality control through traceability, but this was abandoned in commercial FT GVCs, like Cocoa Life-Mondelez in what clearly reflected the dilution of FT principles because of FT's ''mainstreaming''. At pricing level, the FT minimum price has been consistently below than the price set by the producer (price) review committee and even if it wasn't it would have been applicable to only 11% of the farming population unlike the price set by Cocobod that applies to all farmers.

Beyond the specific roles that Cocobod undertakes in relation to cocoa, we further argued that FT's role continued to go unnoticed as we analysed the importance of cocoa as a foreign exchange earner for the Ghanaian economy in the context of a constantly depreciating cedi and consistent underinvestment in infrastructure that adversely affects the lives of farmers. In relation to infrastructure, the role of FT at macro-level has been undermined due to the scale of requirement and that it was out of FT's scope. But, at micro-level it should be noted that despite some of the FT premium has been invested in health services and education, the investments did not reach the whole Kuapa Kokoo membership in Kuapa-Divine's GVC. On the other hand, in Cocoa Life-Mondelez GVC, the FT premium has been directed exclusively to farm improvement and not broader infrastructure investment. In relation to upgrading, FT has also been marginalised especially in relation to tariff escalation and direct investment from foreign governments. And, despite the potential to fill the gap regarding in country value-added processing of cocoa beans, FT's orientation towards exporting raw cocoa beans further exacerbated the existing primary product export tendency, contrary to this been acknowledged as a shortcoming by the Cocoa Life-Mondelez's GVC.

But, despite FT's shortcomings we have argued so far, our FT chains have initiated true qualitative differences in farmer organisation and empowerment, albeit not fully because of FT. This took place by going beyond the FT principles due to the goals and motivations of Kuapa and its farmers (e.g. forward integration) and Mondelez's holistic focus (driven by it security of supply considerations that undermined farmer empowerment to some extent). So, whilst farmers in the conventional chain are powerless in a context underpinned by a paternalistic and highly politicised approach, FT farmers in the Kuapa Kokoo-Divine GVC are better off through farmer ownership, a bottom-up approach, forward integration, close relationships and women empowerment underpinned by strong democratic processes and governance. On the other hand, in Cocoa Life-Mondelez's chain, despite the formal democratic procedures and decentralised approach to FT premiums, farmer empowerment has been top-down, excluded farmer ownership and was driven by security of supply considerations.

Nonetheless, despite the differences in relation to empowerment between the two FT chains, the extent of farmer empowerment has been limited due to the historical mistrust of cooperatives in Ghana, the infrastructural challenges, gender norms, the profit-driven motives of the TNCs that consider democratic processes costly, FT's overall limited scale, and the size as well as the motivations of the cooperatives.

5.4 ''BUYER-DRIVEN'' POWER STRUCTURE

The argument in this section is developed on the basis of Gereffi's (1994; p.215) definition of governance in chapter 2 as the ''*authority and power relationships that determine how financial, material and human resources are allocated and flow within a chain*''. To this end, and in what we termed ''governance as power'', Gereffi (1994) and Gereffi and Fernandez-Stark (2011) stated two distinct governance structures described as ''buyer-driven'' or ''producer-driven'' chains.

Having already examined the lead role of the Government in Ghana, literature on commodities has often characterised the cocoa-chocolate as a ''buyer-driven'' GVC whereby brands/manufacturers and processors are the lead buyers (Talbot 2002, Haque 2004, and Fold 2002). Gibbon (2001) added a third type of governance, the international trader-driven one. In agreement with this, our fieldwork also indicated that the lead buyers are the big brands/manufacturers like Mondelez and the international traders/processors like Cargill, ADM and Barry Callebaut. Therefore, below, we will be examining the power of lead buyers as articulated and defined by our interviewees. This will be examined in relation to FT's ''mainstreaming'' approach we examined in chapter 2 that involved working with TNCs within the system instead of operating an alternative trading system.

On this note, in the following pages we analyse the most often cited power mechanisms in relation to FT. These are customer demand, purchasing power, value added, profitability and organisation. Within customer demand, we examine the prominent role that was attributed to the FT mark along with the positioning in the chain related to demand. In turn, we look at the importance of purchasing power in a typical ''buyer-driven'' GVC in which scale and concentration are vital to profitability especially at trading, processing and branding stage and vertical integration is key to value added. Whilst these power mechanisms are important they are often exercised by individual buyers in isolation. To compliment them, lead buyers try to pool their power and influence together in platforms like the World Cocoa Foundation, in order to promote their common interests in productivity-led sustainability programs.

5.4.1 CUSTOMER DEMAND

Customer demand is perhaps the most important driver and power dynamic since, as we emphasised in the introduction earlier, cocoa is a typical ''buyer-driven'' value chain, and hence power lies with the buyers and their demand. In turn, buyers' demand is driven by consumer demand, which is a key element on what FT's approach is premised on. Demand was earlier mentioned in chapter 2 from Humphrey and Schmitz (2001) who explained that governance has to do with the exercise of control along the chain in relation to how much needs to be produced.

1. **FT Mark & Standards –** FTI and the FT Foundation in the UK exercise their power on the basis of their FT mark through the associated significant customer recognition and demand translated into purchasing, which has triggered a trickle-down effect down the chain. As such, FT's sustainability hinges on the customer demand this label generates. On a buyer level though the trickle-down effect has been seriously moderated, since carrying the FT label is associated with complying with FT's set of standards. However, as we have already argued in the farmer empowerment section previously, the implementation of this FT standard has been significantly different between the two FT GVCs, despite the FT label being the same on product packaging across both GVCs at consumer level. The explanation for this lies in the analysis on FT's business model we explained earlier, but we will further illustrate as we progress into this and the next key theme.

On the basis of FT mark's significant customer recognition and trust we referred to in chapter 2, the sales generated were significant. According to table 3 we presented earlier, FT chocolate sales have grown from £6.2m in 2002 to £542.4m in 2012. In 2013, the Fairtrade Foundation (2014) recorded a 30% on 2012 sales as a result of the first full year of chocolate brands switching to Fairtrade – including Mars' Maltesers, Cadbury Dairy Milk, Bubbly and Hot Chocolate and Nestlé finger Kit Kat.

> The claims above were verified during our interviews with interviewee 7-an ex-Chair of a FTO-and interviewee 45-the head of Cocoa Life-who despite expressing some concerns about FT overall, they were consistent in their assessment of the FT label as a marketing tool that drives recognition and demand.

As such, interviewee 7 confirmed that big chocolate brands were ultimately participating in FT on the basis of what the FT label brings in terms of customer recognition, demand and ultimately sales. Interviewee 45, also suggested that ''*Cocoa Life is a solid program on its own but it won't completely shift from FT as consumers like the FT label*''. On this note, interviewee 10-a senior manager in the FT Foundation-argued that FT ''*has been successful and influential at customer level as consumers know more through FT and they apply pressure downwards*''.

Therefore, whilst the FT label is the main mechanism recognised by consumers, FTI and the FT Foundation in the UK also exercise their power through a set of principles and standards we outlined earlier in our theory. To this end, interviewee 20-a research officer from IDS-highlighted that ''*FT standards codify FT principles at producer level but they are oriented towards market needs to achieve the desired objectives*''. As such, although the FT mark on Divine's and Mondelez's chocolates at consumer level is the same and consumers may recognise and buy on the basis that these two different products and brands carry the same qualities and values as articulated by FT and its communication to consumers, this is simply not the case. As we have already pointed out in the previous key theme, the implementation of some of the FT principles like farmer organisation and empowerment, has been different in Divine's chain compared to the Mondelez's chain. On this note, FLO Cert exercises governance through conducting audits and organisations that fail to comply with the FT principles are suspended pending the implementation of corrective action within a given time frame. Failure to execute corrective measures attracts de-certification of the organisation/party. But, interviewee 3, a FTO Board director suggested that whilst ''*suppliers are being audited by FLO auditors against set FLO standards I am not sure if the commercial organisations are audited as well*''. We will examine more of these differences in implementation as we progress in this and the next key theme, but the root cause lies in the licensee-based model of FTI underpinned by its ''mainstreaming'' we have explained earlier.

2. **Positioning –** FT's focus on consumer recognition through the FT mark has been premised on the fact that positioning in relation to demand is paramount. This is because demand drives activity down the chain while there is opportunity to influence what the customer wants through marketing. As we have seen earlier, FT's focus on the customer end of the chain has been successful in terms of sales, but the sole alignment with big brands as part of its ''mainstreaming'' and its licensee-based model has resulted in limited power redistribution across the chain. Because of FT's lack of systemic approach through the lenses of the GVC framework, the power of other chain actors has not been curbed, whilst FT was undermined in a plethora of sustainability programmes, as we have seen in the sustainability key theme. Similarly, whilst Kuapa's approach to set up Divine in order to be closer to customer demand has been useful, it has been overshadowed due to Mondelez's significantly greater marketing budget.

To illustrate the previous argument, interviewee 33-a logistics manager from a major cocoa processor/trader, interviewee 5-a manager from the FT Foundation, interviewee 7-an ex-Chair of a FTO and interviewee 9-an ex-sustainability director of a major chocolate brand/manufacturer-highlighted that international traders/processors and brands/manufacturers have the lead roles in the conventional GVC in what appears to be a balance of power. However, they also all acknowledged that proximity to customer demand is key, in what was encapsulated in interviewee’s 33 words: ‘‘*the customer is the king of the chain*’’. They further explained that proximity to demand helps brands/manufacturers understand what the customer wants or puts them in position to influence what they want through marketing activities.

In this vein, FT’s focus on the customer end of the chain through the FT mark has some merit articulated through the sales figures we presented earlier and the logic that interviewee 25-ex-Oxfam manager involved in FT-developed. Whilst acknowledging that demand is a major power dynamic, he suggested that:

> ‘‘*How much the farmer benefits from a co-operative depends on how much the co-operative buys from the farmer (which may only be 10%), which in turn depends on consumer demand*’’. Nonetheless, ‘‘*FT Foundation’s alignment with the brands to counter the power of international traders*’’, as per interviewee 5 was questionable as interviewee 7-an ex-Chair of a FTO-suggested that ‘‘*international traders/processors and brands/manufacturers don't have any intention to change the chain and the distribution of power*’’.

This challenge has been further supported through our analysis in the sustainability key theme, whereby we argued that FT was undermined as a result of its ‘‘mainstreaming’’ in the context of corporate sustainability programmes that big brands run in order to address security of supply, reputational and differentiation goals. This has also been manifested by the fact that international traders who also have LBCs in Ghana like Armajaro launched their own sustainability programmes or run FT programmes for their clients who are brands/manufacturers with the associated limitations that derive from the profit-driven nature of these TNCs.

> As a result, interviewee 20-a research officer from IDS-pointed that despite FT’s positioning on customer demand and producer level ‘‘*it is ultimately oriented towards market needs hence FT haven't altered power distribution within the value chain*’’.

This reflected criticism for FT’s decision to ‘‘go mainstream’’ whilst underlining the great competition that Cocoa Life-Mondelez’s GVC presents for Divine. To this end, although Kuapa Kokoo has moved closer to consumer demand through setting up Divine, Divine still have to compete with Mondelez for their chocolate products with the same FT mark, but with Mondelez having a significant advantage deriving from their huge marketing budget as opposed to Divine’s.

5.4.2 Purchasing Power

In a ‘‘buyer-driven’’ chain in which demand is paramount, the purchasing power of lead firms plays a vital role. In the context of the significant purchasing power of big brands in the conventional chain, the volumes of FT purchased are too small to significantly impact the purchasing power of large TNCs. This also highlights the uneven playing field between Divine and Mondelez when considering Divine's significantly smaller scale, which is attributed to FT's ''mainstreaming''. Scale and consequent purchasing power have also been omitted in FT's communication around the direct links between consumer and farmers. As such, the limited purchasing power and capacity of farmers' cooperatives and Divine in essence means that brands/big manufacturers can only buy at scale from someone who is equivalent to their size, like the international traders/processors.

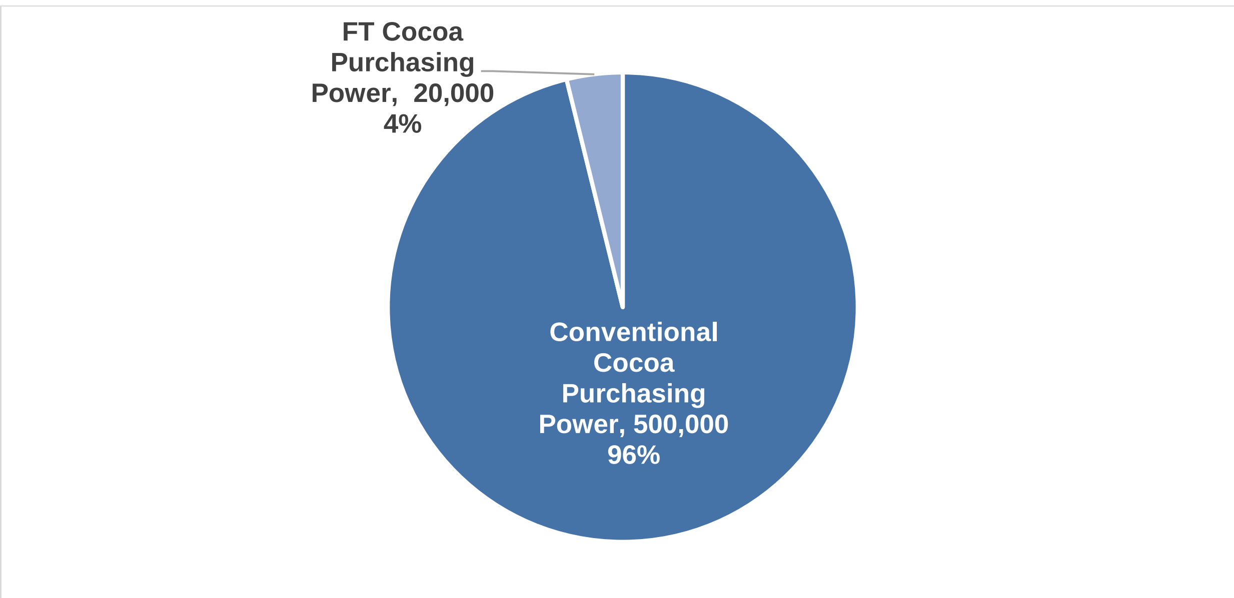
To this end, and in line with explaining the ''buyer-driven'' nature of the GVCs in question as per Gereffi (1994) and Gereffi and Fernandez-Stark (2011), interviewee 1-a director of policy from a FTO, interviewee 5-a manager from the FT Foundation-and interviewee 3-a FTO Board Director-referred to purchasing power as a key power mechanism in relation to the conventional chain but also regarding the FT chains we are examining. Purchasing power was defined as the volume of raw cocoa beans purchased. To give an indication of scale, interviewee 5 suggested that a typical brand/manufacturer like Mondelez, Mars or Nestle purchase around 0.5 million tonnes of raw cocoa beans per year in the conventional cocoa chain. This is almost 60% of Ghana's production, which was 835,466 tonnes in crop year 2012/13, according to interviewee 38-the executive manager to the CEO of Cocobod. This is significant when considering that the global cocoa bean production was around 4.8m tonnes in 2012 and Ghana was the second largest producer in the world after Ivory Coast (World Cocoa Foundation, 2014). In other words, a TNC of the size of Mondelez, Mars or Nestle could buy 10% of the global cocoa bean production in 2012/13.

> In this context, interviewee 19-a manager from the Cocoa Life-Mondelez GVC-informed us that Mondelez bought around 20,000 tonnes of cocoa in FT terms in 2013, which is just 4% of their overall cocoa purchased. In terms of the breakdown of the FT tonnes, 15,000 were purchased from Kuapa Kokoo and the remaining 5,000 were purchased from the Cocoa Life cooperative. On the other chain, according to Divine's 2012-2013 Annual Report (2013), Divine bought 900 tonnes of FT cocoa from Kuapa Kokoo in 2012 which are only 4.5% of Mondelez's FT purchases and 0.18% of Mondelez's overall cocoa purchasing per year.

Therefore, FT does not curb in any case the absolute purchasing power of big brands/manufacturers, it has only marginally altered the mix of this power, which in Cocoa Life-Mondelez's FT GVC can be quantified to 4% of their overall cocoa purchased in a Mondelez's conventional GVC (see figure 17 on the next page). We will examine why this number is so low during the profitability section, however for now, according to our interviewees within the Cocoa Life-Mondelez GVC, it's safe to say that this is not likely to change going forward.

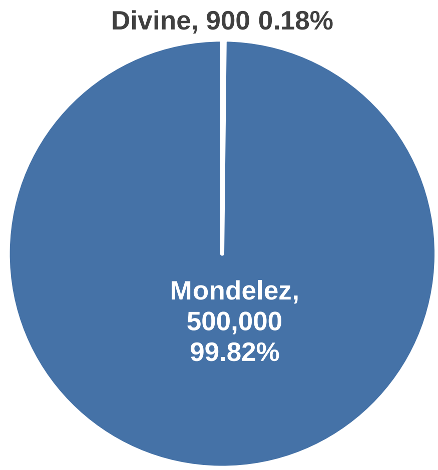
Also, when considering Divine's chain and the impact it may be having on the conventional chain's lead brands and their purchasing power, it is obvious that the impact is very small, at 0.18% only (see figure 18 on the next page). As such, Divine as a new entrant in the chain hasn't managed to shift the purchasing power of conventional lead buyers. Finally, the last conclusion we can draw is around the FT purchasing power that Mondelez has over Divine's chain which is around 22 times greater. This analysis justifies what interviewee 4-a cocoa sustainability manager from a major retailer-and interviewee 8-a Board member of a FTO-said earlier about FT being niche and hence too small to compete with the lead firms. As we saw earlier, this is further facilitated by the fact that the FT Foundation has been openly moving towards full blown commercialisation whilst compromising the FT principles. We will fully explore this though in the profitability section later.

Figure 17: Mondelez purchasing power split in 2013-Conventional and FT (tonnes)



Source: Author's calculations from Divine (2013), interviewee 19

Figure 18: Divine vs. Mondelez purchasing power in 2013 (tonnes)



Source: Author's calculations from Divine (2013), interviewee 19

The previous analysis also underlines the limitations of FT on the communication around the direct links between consumer and farmer in relation to the scalability of FT. These are related to the limited purchasing power of Divine and capacity of cooperatives like Kuapa. For example, when considering the previously mentioned excessive cost of finance that LBCs incur including Kuapa, it is hard to envisage trades at the level (0.5 million tonnes) that lead traders and brands require. This becomes even harder when considering that Divine does not have the same scale or profitability as Mondelez or an international trader in order to be able to secure cheap finance. Also, Kuapa's production capacity is limited and according to the Fairtrade Foundation (2013) stood at 48,283 tonnes in 2013, almost at 10% of the required volume of one lead buyer.

The direct link between consumer and farmer is also becoming problematic due to the concentration of traders/processors whose purchasing power and capacity is so great that, according to an interviewee 37-a CMC marketing manager-''*when Cocobod wants to move lots of volume without collapsing the market, the power is shared between them and international traders*''. This justifies what interviewee 12-ex-chair of a FTO-told us regarding Divine's unsuccessful attempt to register as traders in Ghana which was short-lived due to limited resources. Therefore, the purchasing power, along with the preference of big brands to buy on the spot market rather than buying through the long-term contracts, is why big brands like Mars and Nestle prefer to buy off the international big traders-interviewee 5.

5.4.3 Value Added

TNCs have more power than farmers as a result of adding value to cocoa beans. Beyond trading/processing level, adding value is mainly related to cocoa processing, chocolate manufacturing as well as branding and marketing. Whilst TNCs may decide to undertake all of these GVC activities themselves, Mondelez have decided to outsource the majority of conventional and FT chocolate processing to international traders/processors and maintain branding and marketing, which, in essence, describes their overlapping FT and conventional chains at processing and marketing/branding level. On the other hand, Divine outsourced the processing entirely and maintained branding and marketing, but the value added compared to Mondelez is proportional to their vastly different purchasing power.

As such, the focus here is on value added from Divine's and Mondelez's point of view within their FT chains beyond trading/processing. Interviewee 44, an operations manager for PBC-and interviewee 18-a Cocobod marketing manager-argued that international traders/processors and brands deservedly have greater power than producers as they add more value to cocoa in the conventional chain. As we saw earlier, this is firstly manifested through their purchasing power that determines the volume of cocoa bought to be included in semi-finished products or chocolate through specific recipes (since usually only 25% of the chocolate is cocoa). Other value enhancing mechanisms include cocoa processing, adding other ingredients such as sugar, nuts and milk as well as marketing and branding on the brand/manufacturer end.

In terms of the extent of value added in the Cocoa Life-Mondelez GVC, this has mirrored the outsourcing trends in the chocolate industry. UNCTAD (2008) explained that the large consumer chocolate brands/manufacturers used to be vertically integrated, but by the mid-1990s, many had decided to outsource the less profitable processing of cocoa into intermediate products[14] from their core activities. By mid-2000s, there has been a trend towards chocolate brands/manufacturers outsourcing even their couverture needs, which eventually reached the final consumer product, as they shifted their focus towards marketing and sourced chocolate from third parties. In this context, according to interviewee 11-an ex-sustainability director of a major chocolate brand-most big brands/manufacturers now only process between 10-20% of their overall volume. This has been the case with Mondelez as well, whose conventional GVC overlaps

[14] Like, cocoa liquor, cocoa butter, and cocoa powder. See appendix 4 for more information on the cocoa/chocolate processing stages and intermediate products.

with FT at processing and branding/marketing level, in a way that FT chocolate is approached as yet another product in the shop.

In Kuapa Kokoo-Divine's chain, processing takes place in Germany by the Cord family who are one of the biggest FT chocolate manufacturers in Europe (Ryan, 2011). Whilst Divine's processing reflects the trend in the conventional chain to outsource processing, its limited volumes we saw earlier justify this action on the basis of the economies of scale required in the business in order to add value profitably. Similarly, Divine undertakes branding and marketing but due to the limited purchasing power and processing into chocolate, the value added is expected to be a tiny fraction of Mondelez's.

1. **Vertical Integration –** The outsourcing trend that led big chocolate brands to outsource processing was mirrored by international traders' vertical integration to undertake processing. This has significantly increased their power and intensified the power play between chocolate brands and international traders who were now processors as well, in a market structure that carries oligopsonistic features. In this context, as we have seen earlier, FT has consciously only been engaging with chocolate brands omitting in this way to engage with international traders/processors, whilst some international traders decided to integrate backwards at LBC level and offer competitive to FT sustainability programs.

To this end, we earlier talked about the outsourcing trend that chocolate brands/manufacturers went through in their effort to concentrate on marketing and branding. On the back of this, UNCTAD (2008) confirmed that the cocoa-chocolate chain is characterised by vertical integration as the main trading companies have decided to engage in cocoa processing too. Interviewee 13, an independent FT consultant, further explained that traders by themselves ''*don't have as much power as the brands since their margins are low and volume large. However, when traders are also doing processing like Barry Callebaut, this has a great role to play in power as it adds value*''.

UNCTAD (2008) further added that the vertical integration of the trading companies to processing activities and the horizontal concentration, in combination with the operation of these companies in both producer and consuming countries have led to oligopsonistic structures. As such, Talbot (2002) mentioned that international traders/processors have undergone consolidation since the 1970s, resulting in three firms now dominating this stage of the chain, accounting for over 35 percent of total worldwide cocoa grinding capacity. These three are Archer-Daniels-Midland (ADM), Cargill, and Barry Callebaut. Therefore, according to interviewee 18-a Cocobod marketing manager- ‘‘*international traders/processors are very strong and they leverage this power to lobby the government*’’.

In this context of oligopsonistic market structure and increased power by the international traders/processors driven by their strategy to integrate forward, FT has chosen to align itself with the big chocolate brands, as we have seen earlier. Building on the systemic approach of the world-systems theory that focuses on power relations as the real development dynamic, and the analytical lenses of GVC, FT has clearly failed to acknowledge the importance of power across the international trading/processing node of the chain, by only focusing on marketing/branding. This became evident when interviewee 33, a logistics manager from a major cocoa processor/trader told us that ‘‘*processors can and should give more back to farmers, not necessarily through cash but also through the supply of chemicals, fertilizers and inputs*’’, or when interviewee 10-a senior manager from the FT Foundation-acknowledged that:

> FTI haven’t done conventional value chain research and despite FT’s focus and consequent influence on consumer and producer level, ‘‘*FT has had very limited influence on the rest of the chain. For example, FT hasn't been important in influencing the traders in the value chains*’’.

On this note, as we briefly mentioned earlier, besides international traders that moved forward into processing, there are also international traders who integrated backwards to LBC level. This has been accompanied by the development of a sustainability offering to their clients who are big brands/manufacturers. Although we will talk about this in more detail in the next key theme, this has clearly posed competition for FTI and the FT Foundation from an established lead player in the chain-the international traders.

5.4.4 PROFITABILITY

Strategies like vertical integration were ultimately driven by TNCs profitability goals. Inevitably, this argument builds on the basis of FT’s decision to ‘‘go mainstream’’ and work with TNCs in the existing international trading system on the back of FTI’s licensee-based business model. As a result, chocolate brands have been using their purchasing power to lobby FTI for changes to its principles and standards around the FT minimum price and traceability in order to suit their profitability objectives. This has led to further demands around other ingredients included in chocolate in what eventually took shape in the ‘‘FT sourcing programme’’. So, whilst chocolate brands have successfully lobbied FTI to loosen its FT principles and FTI earned more licensee fees, Divine have been delivering profits proportional to their small scale and in line with their focus to go ‘‘beyond FT’’.

Before providing evidence for the argument above, it would be useful to clarify the difference between the terms ''profitability'' and ''profit''. Although the terms ''profit'' and ''profitability'' are often used interchangeably, there is a difference between them. Tulsian (2014) explained that whilst profit is an absolute term, profitability is a relative concept. Profit reflects the net total income earned when deducting total expenses from total revenue or sales during a specified period of time. The word profitability is composed of two words, namely, profit and ability. ''*Ability indicates the power of a business entity to earn profits or its operating performance. As such, profitability may be defined as the ability of a given investment to earn a return from its use*'' (ibid; p.1). This definition raises a few questions around the different expectations shareholders have on what is the optimal return. This was acknowledged by interviewee 13, an independent FT consultant, who claimed that:

> ''*TNCs are limited by their public listing and their shareholders' expectations*''.

In this context, to give an indication of scale and distribution, interviewee 14-the head of sales and marketing from an international trader-referred to profit margins and the percentage of the retail price each organisation in the chain captures. For example, he highlighted that international traders get 7% of the retail price which is £5-10 per tonne, whereas chocolate brands capture around 50% whilst being able to pass on any additional rising costs to consumers without reducing prices when cocoa price goes down. This also reflects what UNCTAD (2013) suggested through its world investment report; that ''buyer-driven'' GVCs are typically focused on reducing sourcing costs.

Beyond profit margins, profitability was referenced as a manifestation of power but also as a key driver for decision-making regarding FT. As such, interviewee 13 argued that profitability along with competitive intensity and ownership of big brands by shareholders are the main limitations big chocolate brands face for implementing the FT principles as articulated by FTI. For example, interviewee 11-an ex-sustainability director of a major chocolate brand cited profitability as the main reason for not buying more volume of FT. He argued that:

> ''*FT's current model is restrictive because of the minimum FT price. This means that if conventional cocoa market price goes down, a chocolate brand would become uncompetitive if they'd sourced more FT cocoa than their competitors*''. On this basis, interviewee 19-manager from the Cocoa Life-Mondelez GVC-informed us that they lobbied FTI to lower or abolish the minimum price FT principle, whilst citing other certification like UTZ which has

gained scale as we have seen in the sustainability key theme because they don't have minimum price restrictions.

Another typical example of the power big brands exercise on FTI on the basis of their profitability and purchasing power is the abandonment of traceability and the shift to mass balance we briefly mentioned earlier, alongside the introduction of the ‘‘FT Sourcing programme’’. Interviewee 9-an ex-sustainability director of a major chocolate brand/manufacturer-explained that:

> ‘‘*The driving force behind moving to mass balance has been economics. Mondelez could not scale up because it was unaffordable to procure every ingredient in FT terms and segregate between FT and not FT in the manufacturing process. Thus, they approached Fairtrade International asking them to shift the traceability principle to mass balance. This decision has helped unlock the supply chain and allow more brands to come in*’’.

As we earlier stated, although this has allowed for more volume sold, it has broken the physical link between farmer and consumer which has been a central theme in FT communication to consumers. However, this was just a start for more compromises to come in the name of more sales for the FTI and fees as per the licensee-based business model, and reduced costs for chocolate brands. As interviewee 1-a director of policy from a FTO-informed us, Mondelez and others lobbied the Fairtrade Foundation for not all the ingredients included in chocolate to be FT, in what was called by FTI the ‘‘Fairtrade sourcing programme’’. This has led to a 30% increase of FT sales with the consequent benefit for cocoa farmers. Nonetheless, it has resulted in an immediate reaction from interviewee 7-an ex-Chair of a FTO-who said that 100% of the final product should be FT and that upholding the FT principles is paramount at the cost of smaller scale and the other way around.

So, whilst FTI and the FT Foundation were seriously criticised by FTOs for diluting FT principles in order to accommodate the profitability objectives of big brands, the FT Foundation argues that more money flows back to the farmers this way. Interviewee 5-a manager from the FT Foundation-further argued that although they have now moved to mass balance, they intend to return to traceability in the long run, something we challenge given our analysis earlier around FTI’s new licensee self-sustaining-based model. As such, it appears that loosening FT standards has not only been driven by the licensees who exert their purchasing power in order make standards broader and ultimately serve their profitability goals, it has also been driven by FTI’s new business model.

So, in other words, instead of FT curbing the power of lead buyers' through the adoption of the FT principles in their conventional chains, the lead buyers have been using their purchasing power (which is 22 times greater than Divine's) to curb the FT principles and provide the FT Foundation with a ''lifeline'' as per their business model.

On the other hand, Divine still strives for profitability as they recorded £318k operating profit in in 2014 up from £144k in 2013 and £45k in 2012 (Divine 2013, 2014). Its limited profitability could be partly attributed to their limited scale, the increased competition from Mondelez and other lead brands as well as their model which not only adheres to FT principles but goes ''beyond FT'' through farmer ownership of Divine and investing 2% of turnover in supply chain activities, as we have seen earlier. Despite Divine's limited profitability, Divine and other FTOs are value-driven and innovative and try to influence lead buyers by example to source in an open and transparent way and cut intermediaries within the chain, according to interviewee 3-a FTO Board Director. However, as we have seen through the discussion above, in practice it appears that the lead buyers are influencing the FT principles and the FT Foundation whilst squeezing Divine out of the market through their purchasing power and profitability.

1. **Concentration** – Along with lobbying FTI in order to effectively reduce their cost base and increase their profits, lead buyers including international traders/processors and manufacturers/brands have been consolidating in an effort to further maximize profitability through leveraging branding, marketing budgets and optimising costs through greater scale. These elements in combination with the consequent oligopsonistic market structures comprise significant power mechanisms that justify the limitations that Divine faces in order to scale up and compete with the lead TNCs.

To this end, UNCTAD (2008) confirmed that horizontal concentration has been evident at two levels:

- **Branding/Marketing** – As we have seen earlier, chocolate brands/manufacturers outsourced cocoa grinding in their effort to concentrate on marketing and branding. UNCTAD (2008) explained the importance of global brand recognition and commercial marketing strategies. In the consumer market, a strong brand name is an element of market power. New entrants need significant marketing campaigns to promote new brands. The high advertising budgets necessary for promoting brand recognition translate into barriers to entry. Heavy investment in product development and brand marketing is also needed to maintain a strong position. These requirements may explain why Divine has been recording modest profits, as we discussed in the previous section. As a result, following a series of mergers and acquisitions, BASIC (2014) suggested the leading branded manufacturers-Mars, Mondelez, Nestlé, Ferrero and Hershey-account for almost 50% of the world confectionary market. Already in the mid-1990s, Cadbury, Mars and Nestle accounted for approximately 75–80 per cent of the UK chocolate confectionery market (UNCTAD, 2008).

- **Trading/Processing** – As discussed earlier, the boundaries between trading and processing companies have become blurred, as the international traders–in part to compensate for the erosion in trading margins–are now also engaged in cocoa processing. This also took place as brands outsourced the less profitable part of processing in order to focus on marketing and branding. Concentration at processing stage has increased in response to the need to gain scale in order to be more cost efficient. Cocoa processing is capital intensive and since processing equipment is expensive, it requires a large tonnage throughout and must operate on a continuous basis in order to be profitable. Moreover, cocoa processing is becoming more and more sophisticated, in response to increasingly stringent quality requirements by the chocolate brands (UNCTAD, 2008). To this end, BASIC (2014) suggested that the three largest international traders/cocoa-processing companies–ADM, Cargill and Barry Callebaut–account for 45% of the market.

On the basis of concentration, UNIDO (2006) argued that profits gravitate to points of concentration on the value chain especially when there is fragmentation upstream. Although our discussion in this chapter showed the fragmentation of farmers derived from the nature of the crop that requires smallholding, the role of Cocobod through CMC is a focal point where value concentrates as well. This highlights a structural imbalance upstream in the cocoa chain, between cocoa smallholders and LBCs (which we discuss in detail in the next key theme) with the emergence of oligopsonistic market structures. This is followed by a monopsonistic market structure whereby CMC is the only buyer, followed by the concentrated trading/processing and the marketing/branding level, whereby there seems to be some form of balance between successive oligopolies, balanced by the strength and purchasing behaviour of customers to some extent. (UNCTAD, 2008).

On this note, UNIDO (2006; p.36) also highlighted what we can conclude from the analysis of concentration above through the branding/marketing and trading/processing levels: ''*the emergence of concentration and large firms at one point in the chain quite often creates further* *concentration at other points*''. In this context of structural imbalance underpinned by oligopsonistic and monopsonistic market structures driven by concentration and state intervention, UNIDO (2006) suggested that producers may consolidate in producer or marketing associations in order to gain market power as a response to concentration among buyers. As we have seen before FT has attempted to do exactly this through setting up cooperatives with the success and limitations we analysed.

> What's important to highlight though is the immense power of lead companies that is compounded with concentration and the consequent oligopsonistic structures, within which FT has chosen to operate.

5.4.5 ORGANISED BUYER POWER

We earlier highlighted farmer organisation as means for farmer empowerment so that they can be in position to advance their demands to cocoa buyers through their collective power. In our previous discussion we have also referred to the individual power of lead buyers whether this derives from their purchasing power, profitability or vertical integration. Beyond this, lead buyers also advance their security of supply considerations in an organised manner under international organisations like the World Cocoa Foundation (WCF). In this context, FT's role has been marginal since it doesn't focus on productivity.

As such, in line with Gereffi's (1994) and Gereffi and Fernandez-Stark's (2011) ''buyer-driven'' chains, through interviewee 42-a technical advisor in the World Cocoa Foundation-we have discovered that lead buyers act as a group in order to control aspects of the GVC. Hence, they formed World Cocoa Foundation as a platform comprising of more than 100 member companies including all the major international traders/processors and brands, like ADM, Barry Callebaut, Cargill, Mondelez, Nestle and Mars among others, with presence in over 6 continents in order to advance their goals. As interviewee 42 said, ''*the World Cocoa Foundation promotes a sustainable cocoa economy through economic and social development and environmental stewardship in cocoa-growing communities*''. As such, the Foundation has been undertaking projects in Ghana since 2000 related to direct investment in productivity, technical skills and youth sustainability among others.

In particular, a prominent programme characteristic of the World Cocoa Foundation and the goals of its members is Cocoa Action. The World Cocoa Foundation (2015) suggested that ''*Cocoa Action is a strategy that brings the world's leading cocoa and chocolate companies together to sustain the cocoa industry and improve the livelihoods of cocoa farmers*''. Cocoa Action was launched in 2015 and through developing meaningful partnerships between governments, cocoa farmers, and the cocoa industry will aim to boost productivity and strengthen community development in Côte d'Ivoire and Ghana – the largest cocoa producing countries in the world. This will take place through training and delivering improved planting material and fertilizer to 300,000 cocoa farmers, empowering communities through education, child labor monitoring and women's empowerment. As such, it appears that TNCs are pulling their resources together in an organised manner through projects on the ground in order to advance their security of supply objectives. Beyond this, they are involved in lobbying activities as well, as interviewee 35-a Cocobod Director-confided that:

> ''*The WCF is so powerful that they have access to the Ghanaian President at will unlike other stakeholders*''.

In this context and in relation to FT's role, interviewee 42 hinted that FT is not particularly relevant to the scope of WCF or its members as it focuses on the quality of the product and not exactly on the quantity. He further argued that the private sector makes up 90% of the value chain and that sustainability of supply is the biggest focus for the private sector. In contrast, FT's principles cover productivity only to a limited extent through the use of the right agrochemicals. Similarly to Mondelez's approach to FT and RA, the World Cocoa Foundation also do not adhere to one certification and they ensure to educate stakeholders of their training programmes on some certification principles. However, in the end, they approach FT as means to sustainability.

5.4.6 CONCLUSION

The argument in this key theme was based on Gereffi (1994) and Gereffi and Fernandez-Stark's (2011) ''buyer-driven'' governance structure. The cocoa-chocolate GVC driven by international traders/processors and chocolate brands, hence power lies with the buyers and their demand, which is in turn driven by consumer demand. On this note, FTI rely on their FT mark in order to stimulate customer recognition and demand which is ultimately translated into sales. Whilst this has been successful in terms of sales, its effect down the chain has been moderated due to the varying implementation of the FT standards by the two distinct FT GVCs associated with carrying the same FT mark. Whilst FT's positioning close to demand in alignment with brands has increased sales, it hasn't allowed proper power re-distribution across the chain, due to the dominant roles of lead buyers in pursuing their objectives.

The purchasing power of lead buyers is key in allowing lead buyers to achieve their objectives. As such, the volumes of FT purchased are too small to significantly impact the purchasing power of large TNCs, as highlighted by FT being only 4% of Mondelez's overall purchasing volume and Divine having only 0.18% of Mondelez's purchasing power. The niche potential of FT along with the unrealistic claims around the direct links between consumer and farmer were mirrored further down the chain when it became apparent that the limited capacity of farmers' cooperatives as well as Divine's limited purchasing power means that brands/big manufacturers can only buy at scale from someone who is equivalent to their size, like the international traders/processors.

Adding value to cocoa through processing, marketing and branding has been also a key power mechanism. This has been underpinned by the outsourcing of chocolate processing in both FT GVCs and the realisation that Mondelez has overlapping FT and conventional chains at processing and marketing/branding level. The outsourcing trend was mirrored by international traders' vertical integration backwards and forward which led to oligopsonistic market structures. In this context, FT hasn't been important in influencing traders' power due to their focus on consumer level and the alignment with brands.

Strategies like vertical integration were ultimately driven by TNCs profitability goals. On this note and on the back of FTI's licensee-based business model, chocolate brands have been using their purchasing power to lobby FTI for changes to its principles and standards around the FT minimum price, traceability and sourcing of other ingredients on a non-FT basis in order to cater for their profitability objectives. So, whilst chocolate brands have successfully lobbied FTI to loosen its FT principles and FTI earned more licensee fees, Divine have been delivering profits proportional to their small scale and in line with their focus to go ''beyond FT''. But, beyond lobbying FTI in order to effectively reduce their cost base and increase their profits, lead buyers have also been consolidating in an effort to maximise profitability through leveraging branding, marketing budgets and optimising costs through greater scale. These elements, in combination with the consequent oligopsonistic market structures comprise significant power mechanisms that justify the limitations Divine is facing in order to scale up and compete with the lead TNCs.

Whilst these power mechanisms are important, they are often exercised by individual buyers in isolation. To compliment them, lead buyers also advance their security of supply considerations in an organised manner under international organisations, like the World Cocoa Foundation (WCF). In this context, FT's role has been marginal since it doesn't focus on productivity.

5.5 Chain Relations & Coordination

The argument in this key theme is building on Gereffi et al. (2005) and Gereffi and Fernandez-Stark's (2011) ''governance as coordination''. Granleese (2009) earlier reminded us that the conceptualisation of ''buyer-driven'' or ''producer-driven'' governance structures has been further advanced to reflect the distinct features of the governance structures of each chain. Although the concept of buyer ''driven-ness'' is still applicable, this ''driven-ness'' is manifested in different ways, degrees and has different drivers. To this end, Gereffi (2001) advanced that governance structures evolve according to trends and innovations and thus, in any particular time period or within a given industry, new governance structures co-exist and interact with earlier forms of governance. As such, Gereffi et al. (2005) provided a more elaborate typology of five governance structures described in chapter 2 and depicted in figure 2 earlier. These are: markets, modular, relational, captive, and hierarchy.

Therefore, in this key theme we will attempt to outline the relations between nodes of the chain and contrast the conventional with the FT chains in order to examine if and to what extent FT has affected the existing governance structures. As discussed earlier, since FT focuses at farming level, the core of the discussion will be concentrated there.

5.5.1 Farmer-LBC Relations

BASIC (2014) described the governance structure between cocoa farmers and their buyers in the conventional chain as ''captive''. Ryan (2011) justified this on the basis of their transactional dependency on LBCs to buy their produce and limited number of buyers (LBCs) who often exercise great power through, for example, providing them with equipment and other incentives in order to buy their produce. In assessing whether and to what extent this type of governance has shifted in Kuapa Kokoo-Divine's and Cocoa Life-Mondelez's FT chains, we have utilised the following dimensions that were frequently emphasised during our interviews.

1. **Purchasing Agents –** Perhaps the most significant direct power imbalance the farmers face in the conventional chain derives from their interaction with LBC purchasing agents, who cheat farmers through wrongly calibrated scales. However, farmers in the Kuapa Kokoo-Divine FT GVC are not cheated because purchasing clerks double as farmers too. This is also the case with ¾ of cocoa sourcing in Cocoa Life-Mondelez's GVC since they source from Kuapa, but the issue hasn't been resolved for ¼ of their FT cocoa coming from Cocoa Life. Nonetheless, both FT GVCs are also offering better terms than the conventional chain in terms of training, inputs and prompt

payment in cash, however the main limitation is still scale, as together they reach 95,900 farmers which is around 11% of the cocoa farming population in Ghana.

As we have seen in the beginning of the chapter, LBCs buy cocoa beans from farmers through their local purchasing agents. During our field visits in cocoa farming communities in Ashanti, our discussions with interviewee groups 30 and 31 comprised of farmers and purchasing agents, demonstrated that purchasing agents are embedded in the farming community. In light of this, we have leaned on our power analyses in order to identify and describe the horizontal power relations between farmers and purchasing agents. To this end, interviewee groups 30 and 31, interviewee 24-an executive logistics assistant from a prominent LBC, interviewee 39-the Head of Cocoa Life Farmers' Cooperative in Amansie West district, interviewee 44-an operations manager for PBC, told us that this relationship has been predominantly characterised transactional in the conventional chain. Beyond buying and selling cocoa, there is limited interaction between farmers and purchasing agents in the conventional chain. At the same time, it's critical to understand that trust and relationship building mainly through incentives and readily available cash are important factors in this relationship.

In this context, interviewee 44 highlighted that ''*the real power asymmetry for farmers in the conventional chain is with local purchasing clerks since they use wrongly calibrated scales in order to cheat the farmers*''. This has been highlighted as a widespread phenomenon to the extent that Cocobod has introduced new measures to identify and sanction LBCs who recalibrate scales and cheat farmers. To this end, security personnel have been deployed to the field to monitor and report LBCs who conduct wrongdoing. Interviewee 39 added that measures have also been undertaken from the National Farmers' Association who distributed scales to farmers, as well as more responsible LBCs such as PBC who, according to interviewee 44, have deployed scale mechanics in farming areas to ensure that all of PBC's scales are accurately calibrated. Despite these efforts, interviewee 39 argued that ''*LBCs still cheat the farmers at great scale*''. Farmers from interviewee groups 30 and 31 also expressed mistrust towards purchasing clerks who, despite receiving Cocobod bonuses and other incentives from the LBCs, they fail to deliver. Farmers though are not the only ones who mistrust purchasing clerks, as interviewee 24 suggested that they themselves don't trust their purchasing clerks regarding their integrity with cash.

On the other hand, the issue of trust in purchasing clerks, has been eliminated in Kuapa Kokoo-Divine's GVC, since Kuapa Kokoo has purchasing clerks who double as famers too, according to interviewee 32-a corporate responsibility and sustainability head of cocoa from a prominent LBC. He further added that ''*these clerks are selected by the farmers themselves in the certified areas, hence Kuapa purchasing clerks often go the extra mile to help farmers by themselves*''. As we have seen in the beginning of the chapter, this is also the case with ¾ of cocoa sourcing in Cocoa Life-Mondelez's GVC since they source from Kuapa, but the issue hasn't been resolved for ¼ of their FT cocoa coming from Cocoa Life, who source from other conventional chain LBCs.

> The only limitation for both FT GVCs is that this takes place only for the 87,907 Kuapa members which comprises only around 10% of 865,000 farmers cocoa smallholder farmers in Ghana (Fairtrade Foundation, 2013). If we also add another 7,993 farmers from Cocoa Life, this would bring the total number of FT farmers for both GVCs to 95,900, which is around 11% of the cocoa farming population in Ghana (FTI, 2014).

Furthermore, in conventional chains, some LBCs tend to provide infrequent training on farming practices and how to improve their finances and open a bank account, according to the farmers in interviewee group 31. At times, interviewee 24 advised that they also try to motivate farmers by giving them inputs and fertilisers in advance which farmers need to repay in installments. They also often give the farmers petty stuff, like machetes, so they can buy from them given the competition with other purchasing clerks and LBCs. This is part of the relationship building purchasing clerks undertake in order to buy as much cocoa as possible, since farmers tend to sell when someone helps them. Similarly, interviewee group 30 informed us that farmers tend to sell when the purchasing agent has readily available cash but most LBCs have cash availability problems, thus are not able to pay for the cocoa beans sold to them on the spot of delivery. This is mainly due to the lack of liquidity that derives from the high external cost of finance we explained earlier in the ''political crop'' key theme. Therefore, most farmers prefer to sell to PBC, who have the highest market share (around 35%)[15], and ready cash to pay them.

On the other hand, interviewees 28, 29-from Cocoa Life-Mondelez's GVC-suggested they have been organising programmes to educate farmers on good farming practices, but they also went beyond that to organise monthly meetings through the cooperative to discuss issues on payment of dues and good catering of farms. In turn, interviewee 39 indicated that ''*Cocoa Life has educated the entire farming communities in general*''. On a similar positive note, interviewees 28, 29 advanced that Cocoa Life has been financing farm inputs and have been advising most of its farmers to sell to PBC who promptly pay cash. Similarly, Divine's chain has been very active

[15] According to interviewee 44, an operations manager for PBC.

through Kuapa in relation to training and have also been motivating their farmers with inputs, bonuses, exercise books and soaps. We have been told though that Kuapa sometimes pays two weeks later-interviewee 32.

2. **FT Principles Implementation –** During the course of the previous key themes as well as in chapter 2 on Fairtrade, we referred to the FT principles and their implementation in the two FT chains. In particular, we talked about farmer organisation and the FT minimum price, how they are implemented in each chain and the reasons why. We will now discuss if and to what extent the implementation of some of the key FT principles could shift the captive governance structure prevalent in the conventional chain at farmer-LBC level. As such, the main FT principles are:

a. **FT Price –** Despite FAO's (2004), Le Mare's (2008), Imhof and Lee's (2007) and Raynolds's (2004) claims in chapter 2 around FT farmers achieving higher prices than conventional farmers, the reality we have encountered in Ghana was different. As per our analysis earlier in the ‘‘political crop'' key theme, our argument is based on FT operating in Ghana's context with a specific governance structure that in essence marginalises FT's minimum price standard. This was founded on Wallerstein's position (1995) around the role of states in capital accumulation and Chase-Dunn and Grimes (1995) reference to the power of states over the lives of their citizens.

As such, we then indicated that the FT minimum price for both FT GVCs has been irrelevant, since the FT minimum price has been consistently below than the price set by the producer (price) review committee. As a result of this process, all Ghanaian cocoa farmers obtain a minimum of 70% of the net FOB. This demonstrates the overlapping character of both FT GVCs with the conventional GVC at pricing level. In the unlikely scenario that Cocobod's price was lower, the FT price would only benefit around 11% of the entire cocoa smallholders in Ghana, as we have seen earlier. However, given our analysis on the supply/demand balance in the sustainability key theme and interviewee's 33-a logistics manager from a major cocoa processor/trader-assertion that ‘‘*there is a deficit projected for 2020*'', this is not likely to happen.

b. **Farmer organisation, empowerment and FT Premium –** The notion of empowerment was identified in our power analyses during chapter 2, whereby we outlined power seen as empowerment in the sense of a capacity or ability to empower or transform oneself and others. Building on this, it has been made clear that farmers in the conventional chain are neither sufficiently organised, empowered, nor they get FT premiums, according to our previous analysis. On the other hand, and in line with Le Mare (2008), Imhof and Lee (2007), who emphasised improved institutional capacity and sustainability at cooperative level as a result of FT in chapter

2, the relations between farmers and LBCs have shifted substantially in Kuapa Kokoo-Divine's GVC. This took place on the basis of the bottom-up approach underpinned by democratic processes that allows farmers to make their own decisions on how to spend the FT premium. On the other hand, the Cocoa Life-Mondelez GVC despite the formal democratic procedures and decentralised approach to FT premiums, promotes farmer empowerment in a top-down manner driven by security of supply considerations. Despite the criticism against Kuapa's use of FT premium for community development, to fund training and the corrupt leadership in the past, we argue that it has led to significant farmer empowerment at the level of its GVC, albeit with limited potential to expand further.

To illustrate, as discussed earlier, most farmers in the conventional chain are members of LBCs since the unions who represent farmers, like the National Farmers' Association, are not strong enough and they are embedded in the political structure and national politics. In this section, we have also discussed the transactional nature of the relationship between farmers and LBCs as well as the limited training that do not foster farmer empowerment. Also, there is no FT premium or FT certification unless farmers are part of a programme run by an LBC, such as Olam or Armajaro that are part of international trading groups which have the financial capacity and pre-existing client relationships. In this case, as we said earlier, the international trading arms provide their clients, who are the chocolate brands, a sustainability offering which may also include FT certification as per their client's wish. In this case, although interviewee 26-the head of sustainability from Armajaro-told us that all the FT principles are implemented, interviewee 41-a cocoa program officer from Solidaridad-argued that such LBCs tend to maintain the FT premium, part of the FT premium, or make the decisions regarding its utilisation. ''*This is driven by the fact that they want farmers to remain dependent on them so that they sell their cocoa to them and avoid the so called ''dribbling'' through selling to another LBC*''. To this end, we earlier mentioned that such LBCs don't register the farmer cooperative formally with the Department of co-operatives as this entails a significant cost which the LBCs are not willing pay. Also, since they have already paid the high cost of FT certification, they tend to use the FT premium funds to recoup their investment.

On the other hand, the situation in Divine's chain is much different to the extent that we argue that the previous relationship and dependency exercised in the conventional chain between farmer and LBC has shifted substantially in Kuapa Kokoo-Divine's GVC. To illustrate, as we have explained in detail in the ''political crop'' key theme, the main pillars of their approach have been farmer ownership, a bottom-up approach, forward integration, close relationships and women empowerment underpinned by strong democratic processes and governance. Because of the bottom-up approach and collective approach to empowerment underpinned by democratic processes, farmers have the freedom to make their own decisions on how to spend a. the price of cocoa, b. FT premium, c. Divine's supply chain investment through 2% of turnover and d. dividend.

As we have also seen in in the ''political crop'' key theme, the Cocoa Life-Mondelez's GVC despite the formal democratic procedures and decentralised approach to FT premiums, it promotes farmer empowerment in a top-down manner driven by security of supply considerations, whilst excluding farmer ownership. To this end, interviewee 9-an ex sustainability director of a major chocolate brand/manufacturer-argued that:

> ''*Empowerment for commercial organisations is coming as an addition to a business agenda*''.

Furthermore, interviewee 41 told us that their clients, who are big brands, when offered a FT certification service model like Divine's model or the LBC model like Armajaro, they tend to choose the latter one. This is on the basis that the LBC model is able to organise farmers easier and quicker as they have already a large pool of farmers they work with. Also, LBCs like Armajaro tend to have financing available through their international trading parent company.

> ''*Although a model like Divine's would ensure true bottom-up empowerment, big brands decide to go with the faster, cheaper but less empowering model*''.

Besides the lack of focus on political empowerment, as we have explained in the previous key theme, interviewee 45-the head of Cocoa Life-suggested Cocoa Life's district-level approach is more beneficial with regards to payment of FT premiums to the farmers, as decisions are being made closer to the farmer level.

> Nonetheless, this has been undermined by the focus on productivity we mentioned before, since the ''*FT premium is going only towards farm improvement for productivity purposes*'', according to interviewee 28. On the other hand, in Kuapa Kokoo-Divine's chain, ''*farmers are not benefiting enough from the premiums because the premiums are being enjoyed by the whole community instead*'', according to interviewee 42.

Interviewee 28 also mentioned that in Kuapa Kokoo's case, part of the FT premium has been used to fund training, so not all of all the FT premium flows back, which is not the case in Cocoa Life, whereby Mondelez has already pre-financed training. On the basis of Cocoa Life-Mondelez

GVC's increased focus on sustainability-driven productivity and volume of cocoa versus empowerment, he further argued that FT premiums should be directed toward the supply of inputs instead of community development.

Also, as discussed in the ''political crop'' key theme, interviewee 35 pointed to the corrupt leadership of the cooperative in the past which ensured the FT premium never reached the farmers, but swiftly mentioned that Kuapa was quick and strong enough to replace them. Finally, as we have seen earlier, Kuapa Kokoo-Divine's chain and FT as a whole have further limitations due to scale and profitability considerations. As such, only 11% of the entire Ghanaian cocoa farming population and their communities enjoy the benefits of FT premium which amounted to €4.8m in 2012-13, according to FTI (no date), as manifested through empowerment, lack of dependency on other LBCs and community development projects.

c. **Pre-Financing** – We earlier explained that Cocobod was pre-financing cocoa purchases at LBC level. On farmer-LBC level though, pre-financing is limited and is only applicable to inputs and not to the crop itself. Although pre-financing of crop has been officially suspended by the FTI, in both FT GVCs there has been evidence of pre-financing of inputs, but this may have been funded to some extent by FT premiums in Kuapa Kokoo-Divine's GVC. Also, despite the scale of investment in Cocoa Life, the fact that only 7% of the cocoa is purchased in FT terms demonstrates limited appetite for crop pre-financing.

As discussed earlier in the ''political crop'' key theme, Cocobod holds a central role in financing cocoa purchases in the conventional chain at LBC level through selling cocoa forward. They then disburse seed funds to LBCs to facilitate their capital raising and kick off the process of purchasing cocoa for farmers. At farmer-LBC level though, farmers from interviewee groups 30 and 31 indicated that pre-financing is limited and it's only applicable to the level of inputs and not to the crop itself. As such, some LBCs supply input and fertilisers on credit and farmers pay in installments. However, they also noted that most farmers only payback half of the cost on fertilisers loaned out to them. According to interviewee 32, usually, the LBCs who are in position to pre-finance inputs are the ones who are better funded through access to cheaper capital often with the help of the parent companies which are international traders, like Armajaro and Olam.

In this context, in chapter 2 we mentioned that Doherty et al. (2013) highlighted that the FTI Standards Unit has officially suspended the requirement for pre-financing in a number of commodity areas in 2008. On this note, interviewees 28 and 29 informed us that Mondelez have set up a voluntary service and loan association and pre-financed all the inputs without having to deduct money from the FT premium in order to do so. Similarly, interviewee 43-the National Chief Farmer of the Farmers' Association-explained that Kuapa distribute at the end of every year, cutlasses, fertilizers and pesticides to their farmers, but as we mentioned earlier, this may be financed by part of the FT premiums.

Although we haven't managed to firmly establish whether Divine pre-finances cocoa purchases from Kuapa, or whether Mondelez was pre-financing the purchased crop, interviewees 28 and 29 instead highlighted that Mondelez has committed $400m in Cocoa Life in terms of long term financing. In response to this, interviewee 35 warned us that ''*Mondelez's financing goes beyond FT for a good marketing story*'', something that was verified during our interview with interviewee 28, who stated that ''*only 7% of the cocoa purchased from Cocoa Life was in FT terms*''.

d. **Long term commitment** – We earlier explained the way the conventional chain works and then developed in detail the role that Cocobod plays through its monopsony position. Although this analysis indicated a long term commitment and stability in the relationship between buyer and sellers, there have been mixed results in our FT GVCs. To this end, although the Kuapa Kokoo-Divine GVC has had an established, trusted and long-term relationship, the Cocoa Life-Mondelez GVC hasn't provided the cooperatives they source FT cocoa from with any certainty regarding future purchasing.

To illustrate, in the ''political crop'' key theme we discussed Cocobod's role in financing, external marketing, quality and pricing, as well as described LBCs role in cocoa's internal marketing. To this end, the described governance structure provides a great degree of certainty, trust and sustainability based on an established track record of smooth functioning around the purchasing and selling of cocoa beans. On the other hand, in relation to what we referred to as ''long-term relationships and supply contracts'' in chapter 2, interviewee 26-the head of Sustainability from Armajaro-noted that ''*Armajaro have challenged the long-term relationship FT principle since it doesn't provide assurances to Armajaro as they might invest in this relationship and then the farmer may sell their cocoa to someone else (dribbling)*''.

This is in line with our literature review in chapter 2, whereby Doherty et al. (2013) suggested that contracts only extend for one growing season in practice, or are completely ignored by major retailers involved in FT. On this note, although interviewee 47-a Manager from FTI-acknowledged that Mondelez have shown some sort of long term commitment to farmers through the fact that the CCP[16] programme has maintained communities they have worked in from the past into Cocoa Life, she admitted that:

> ‘‘*There is however no sort of commercial commitment from the programme*’’. Interviewee 39-the Head of Cocoa Life Farmers’ Cooperative in Amansie West district-confirmed that ‘‘*there is no guarantee of a long term relationship or supply contract*’’.

This is the case for Mondelez’s relationship with Kuapa, since Cocoa Life and Divine’s chains are interlinked to some extent through Mondelez’s FT cocoa sourcing by 75% from Kuapa, especially when considering that there are plans already to cut this by 25% going forward, according to interviewee 19-a manager from the Kuapa Kokoo-Mondelez GVC. This was further compounded by the vagueness of Mondelez interviewees regarding the role of Mondelez in purchasing FT cocoa going forward-interviewee 17. The long term commitment and sustainability of Cocoa Life has been challenged further by interviewee 35, who suggested that the programme is new and not self-sustaining yet. He also suggested that due to the lack of bottom-up ownership and empowerment of farmers, the impacts may not be sustainable in the long-run when Mondelez leaves. On the other hand, he mentioned that:

> ‘‘*The Kuapa Kokoo-Divine GVC has been sustainable for a long time and Divine has developed a trusted relationship with Kuapa that will carry on*’’.

e. **Environmental protection** – FT is not as geared towards achieving environmental goals when compared to other certifications like RA, as we have seen in the sustainability key theme. To this end, Doherty et al. (2013) suggested ‘‘*there is little information to suggest how this works*’’. None of our interviewees for both the conventional and the FT chains was familiar with the environmental aspects. This has been demonstrated by Cocoa Life’s performance, for which interviewee 39 confided that: ‘‘*among the five pillars of the programme, the most achieved is the farming and the least is the environment*’’.

3. **Competitive market structure & business performance** – Beyond the role that the implementation of FT principles holds in shifting power relations in the conventional chain at LBC-Farmer level, the market structure and business performance of incumbents also play a crucial role. To this end, LBCs operate in a highly competitive market structure driven by Cocobod in which they face high financing costs and limited margins that do not allow establishing strong

[16] CCP is Cadbury Cocoa Partnership (CCP) – an investment programme launched by Cadbury in Ghana prior to Cocoa Life, worth £30 million over a ten-year period aiming to transform the lives and livelihoods of more than half a million cocoa farmers (IDS and University of Ghana, 2006).

relationships with farmers. To this end, the following analysis builds on the crucial role that States play as per Wallerstein (1995), and also the systemic conception of world-systems and GVCs that highlight that governance exercised from lead buyers dictates outcomes across the chain. In relation to FT, both FT GVCs are operating within the same limiting market structure, but have also been facing difficulties internally, arising from their business performance.

Although interviewee 43 suggested there are 28 LBCs registered in the country, this number goes down to 3-4 LBCs per community as per farmers from interviewee groups 30 and 31, which limits the options farmers have to sell their cocoa. Although this oligopsonistic market structure is countered on the basis of the price uniformity, set by Cocobod, that allows that farmers all over the country to benefit equally, it is worth explained (FAO, 2013). To this end, it could be explained on the basis that one of the conditions for getting a LBC license from Cocobod is to be able to operate in at least two of the six cocoa regions. LBCs are also required to buy at least 2,000 tonnes of cocoa in a cocoa season (IDS and University of Ghana, 2006). Interviewee 20-a research officer from IDS-also suggested that ''*farmers are geographically dispersed, which makes it costly to reach them*''. Also, as we have explained earlier in the ''political crop'' key theme, LBCs get a % of the FOB price, which was around 8% in 2012, but they also have high financing cost.

Although we will examine the LBC-Cocobod relations in more detail later, for now we need to point out that in this fierce competitive market structure mainly driven by Cocobod, in their quest to make profits, fierce competition has been arisen among the LBCs (IDS and University of Ghana, 2006). In light of this, Nelson et al. (2013) suggested that ''*LBCs are locked into a system with few incentives for high performance and little financial scope for establishing strong relations with farmers*''. In this context, Kuapa Kokoo Ltd could not be an exception as its activities are concentrated in certain areas only. Farmers from interviewee groups 30 and 31 told us that they have heard about Kuapa and FT but they could not join as Kuapa Kokoo Ltd is mainly based in towns that are far from their community. Equally, we saw earlier that Mondelez has targeted only certain communities and it only works with existing LBCs. On the other hand, LBCs like PBC, who have the greatest share of farmers due to the Cocobod legacy, are located in almost every farming district and hence cannot afford to run many social intervention programmes-interviewee 44-an operations manager for PBC.

Therefore, in their attempt to affect the farmer-LBC chain relationships at scale, both FT GVCs chains are limited by Cocobod's legacy and the competitive industry structure that has shaped their geographical footprint and resources.

Beyond the problems arising for LBCs due to this competitive market structure, and as we briefly mentioned earlier in the ''political crop'' key theme, LBCs are also limited by their organisational and business performance. In particular, interviewees 27-certification manager & deputy from Armajaro-highlighted the severe financial struggles that Kuapa Kokoo Ltd has been facing, due to increased overheads and limited managerial capability which ultimately might lead to shutting it down. In response to this, interviewee 47-a Manager from FTI-argued that Kuapa Kokoo Ltd trades fairly, unlike other LBCs who cheat farmers and this is why their business performance may have been going through difficulties. In Cocoa Life's case, interviewee 35-a Cocobod Director-indicated that despite the competent management and resource from the UK working on the ground, the programme is still new, unproven and has been having some difficulties already in hitting their targets.

4. **Value Added/Upgrading** – We have earlier referred to upgrading from a political angle in the ''political crop'' key theme, but also through Divine's and Mondelez's point of view within their FT chains beyond trading/processing in the previous key theme. Through building on Gereffi and Fernandez-Stark's (2011) product, process or functional upgrading, here, we will focus on value added below trading and processing at farmer and cooperative level. Whilst there is no upgrading in the conventional chain, the Kuapa Kokoo-Divine GVC has achieved intra-chain functional upgrading and process upgrading through forward integration and political empowerment, which may however be restricted to some extent due to Kuapa Kokoo Ltd.'s business performance and the potential to scale up. In the meantime, the Cocoa Life-Mondelez GVC has achieved process upgrading whilst pursuing functional upgrading through economic diversification.

To illustrate, from the previous discussion in this theme, it has been established that there is no value added and upgrading in the conventional chain at farming level, since the relationships have been at best characterised transactional by all of the interviewees. However, when examining Divine's chain, we have earlier mentioned that it involved forward integration from the farmers/cooperative level to setting up their own LBC. According to Gereffi et al. (2001) and Gereffi and Fernandez-Stark (2011), this comprises intra-chain functional upgrading as it involved acquiring new functions in trading, financing, logistics-that all LBCs need to undertake-on top of the existing skills in farming, production and farmer organisation. Also, although the theoretical definition we have from Gereffi et al. (2001) and Gereffi and Fernandez-Stark (2011) is more geared towards engineering and business terminology, as we have seen earlier, we can also argue that Divine have also achieved process upgrading due to the bottom-up empowerment and farmer organisation. This has also been advanced from interviewee 2-a programme manager from the Kuapa Kokoo-Divine GVC-who emphasised that ''*upgrading involves democratic governance, operational systems and empowerment through organisation in cooperatives*''. As explained earlier, the limitations derive again from Kuapa's limited scale and the poor business performance of their LBC. This may in turn limit the benefits from functional upgrading, but also provide difficulties to run empowerment activities and democratic process which may be deemed costly in light of the financial pressure they are facing.

In parallel, the Cocoa Life-Mondelez GVC has primarily focused and achieved process upgrading through their productivity-driven programme. As discussed in the sustainability key theme, they have achieved this by putting farmers are at the centre of their model, which has led to productivity increases of 20-60% vs. 6-8% of others. And, although Cocoa Life don't have their own LBC like Divine, they have in some way been pursuing functional upgrading for their farmers through their ''additional livelihoods'' second programme outcome. To justify, interviewee 45-the head of Cocoa Life explained that:

> ''*Farmers are dependent if they only export cocoa beans. This is why they have decided to help farmers diversify to other crops and become in this way more independent*''. Clearly, Kuapa Kokoo-Divine's GVC has been focusing more on political empowerment whereas the Cocoa Life-Mondelez GVC has been focusing more on the economic dimension of empowerment.

5. **''Captive'' and ''Relational'' Governance** – In the beginning of this farmer-LBC relations section, we have described the governance structure in the conventional chain at this level as ''captive'' as per Gereffi et al.'s (2005) typology. We have justified this on the basis of BASIC's (2014) report and Ryan's (2011) explanation, which we verified and enhanced through our ensuing analysis on the conventional chain's features, namely; farmers' transactional dependency on buyers (LBCs), limited training, lack of farmer organisation and the competitive market structure driven by Cocobod that does not allow meaningful relationships between farmers and LBCs.

   In this context, and in relation to the governance in the FT GVCs, we argue that the Kuapa Kokoo-Divine GVC has changed this type of governance at farmer/farmer cooperative-LBC level to ‘‘relational’’, on the basis of mutual dependence and accountability between the LBC (Kuapa Kokoo Ltd) and Kuapa Kokoo.

Whilst BASIC (2014) confirmed that mutual dependence and personal ties are key elements in a ‘‘relational’’ governance structure, in the ‘‘political crop’’ key theme we talked at length about how these ties are fostered through farmer ownership, a bottom-up approach, forward integration and women empowerment, underpinned by strong democratic processes and governance. Also, interviewee 9-an ex-sustainability director of a major chocolate brand/manufacturer-confirmed that ‘‘*Divine is specifically characterised by an in depth relationship with Kuapa Kokoo, through mutual risk sharing and accountability*’’. Interviewee 35 added that this relationship has been sustainable for a long time and managed through personal ties. On the same note, Gereffi et al. (2005) agreed that relational linkages take time to build. Furthermore, through our analysis in the section, the ‘‘relational’’ governance structure has been justified on the basis that Kuapa eliminated the purchasing clerk-farmer mistrust issue. Having said that, on the basis of what we explained about the LBC’s financial woes and its impact, this ‘‘relational’’ structure may be constrained.

On the other hand, Cocoa Life-Mondelez’s governance mirrors the conventional chain and remains ‘‘captive’’ on the basis that there is no true political empowerment, longevity of relationships and personal ties.

For example, despite sourcing 75% of their FT cocoa from Kuapa Kokoo, interviewee 19 told us that ‘‘*the relationship with Kuapa is transactional*’’. For the 25% of the FT beans sourced from Cocoa Life, he suggested ‘‘*they have more influence and oversight since they have operation on the ground*’’. However, we must acknowledge that the intensity of Cocoa Life-Mondelez’s ‘‘captive’’ structure is not as high to the one in the conventional chain due to the fact that farmers have been supported towards diversifying and being given advice on farming practices and best LBC to sell to.

In terms of the potential of both FT GVCs to scale up and shift the governance structure in the conventional chain, we argue this is impossible on the basis of Divine’s limited scale we examined previously, the existing market structure at LBC level as set up by Cocobod, but also because of Kuapa Kokoo Ltd.’s business performance limitations we have discussed earlier in this section. In Cocoa Life-Mondelez’s case, this is also not possible given that the objective of the programme has been clearly to ensure productivity and security of supply and not to change the existing governance arrangements. For a summary of this discussion, see table 7 below.

Table 7: Conventional vs. FT GVC Governance types, Farmer-LBC level

GVC	Governance Structure/ Intensity	Rationale
Conventional	*Captive-High*	• Farmers' transactional dependency on LBCs • Limited training, lack of farmer organisation • Competitive market structure driven by Cocobod that does not allow meaningful relationships between farmers and LBCs
FT Kuapa Kokoo-Divine	*Relational*	• Mutual dependence, accountability, personal ties • Farmer ownership, bottom-up approach, forward integration, women empowerment, democratic processes and governance, elimination of purchasing clerk-farmer mistrust issue
FT Cocoa Life-Mondelez	*Captive-Low*	• No true political empowerment, longevity of relationships and personal ties

Source: Author, BASIC (2014), Ryan (2011)

5.5.2 LBC-Cocobod Relations

The multi-level relationship between LBCs and Cocobod highlights the fact that LBCs operate with a very high operational risk underpinned by the need to turn around money quickly amidst quality, delivery, liquidity, trust and high cost of finance concerns. This pressure is key to understand in relation to the issues that trickle down the chain at farmer level, such as cheating through wrongly calibrated scales. To this end, FTI's focus on farming and consumer level only highlighted its lack of systemic understanding advanced by world-systems and the GVC approach. As such, both FT GVCs overlap at this level with the conventional chain and maintain the existing ''captive'' governance structure, as Cocobod's relationship with most LBCs, except for the very well-funded ones, is highly transactional.

To illustrate, the relations between LBCs and Cocobod can be grouped into the following categories:

a. **Financing –** As we have discussed in the ''political crop'' key theme, financing is the main power mechanism Cocobod is using to fund cocoa purchasing and control LBCs. Control comes from the fact that the seed funding Cocobod provides is not sufficient, yet it's the cheapest money most LBCs can access. As a result, interviewee 24-an executive logistics assistant from a prominent LBC-highlighted that ''*LBCs have to turn around money quite quickly so they can fund additional purchases*''.

b. **Quality –** As we have also discussed in the ''political crop'' key theme, QCD exercises power and ensures quality at district level, whereby QCD grades and seals cocoa beans and at warehouse/port level through a second quality check when delivered. For this reason, interviewee 32-a corporate responsibility and sustainability head of cocoa from a prominent LBC-told us ''*it's critical to have good relationship with the QCD especially at district level as the quicker QCD grades and seals, the earlier the LBC gets the cocoa and can buy more cocoa-have a quicker cash turnaround*''.

c. **Trading –** LBCs work with CMC during the shipment of cocoa beans through offloading cocoa to CMC warehouses. Whilst, for conventional cocoa, CMC informs them about when to ship their cocoa beans, for FT, CMC need to consult with the LBC first. After international traders contact Cocobod for FT cocoa, Cocobod communicates to the LBC the quantity of cocoa they need and the LBC either gives the go ahead to Cocobod to sell or not to sell their beans to them-interviewee 32. To this end, interviewee 44-an operations manager for PBC-explained that LBCs make profit after delivering the cocoa to Cocobod on the basis of their market share and the % FOB that was determined in the Producer Price Committee. However, when LBCs fail to deliver the cocoa by the deadline they need to pay a penalty to Cocobod.

d. **Policy –** Interviewee 44 added that Cocobod undertakes rule setting and sanctioning whilst LBCs try to influence rule setting when executing. In terms of influencing, all LBCs come together to form an association called LICOBAC, which is responsible for giving Cocobod feedback on policies in relation to cross border trade activities, inter LBC trade prohibition and recording of data. They also discuss how to improve quality and input provision. The relations at this level are very collaborative.

> ''*However, Cocobod is particularly strong and powerful when it comes to policy enforcement and sanctioning LBCs. Cocobod can enforce share of FOB, blacklist LBCs on the basis of smuggling, wrong scales and misapplication of seed money*''.

From the discussion above, it is apparent that LBCs operate with very high risk. As a result of the cheap but limited finance and the sanctioning ability of Cocobod, most LBCs are under severe pressure to deliver whilst turning around cash quickly. But, as IDS and University of Ghana (2006) suggested, LBCs face bottlenecks in the cocoa delivery system and sometimes it takes weeks to receive payments from Cocobod. However, during this period Cocobod charges interest on monies provided, leading LBCs to take out overdrafts from banks, hence increasing costs, reducing their profitability and their ability to help farmers. If we add on top of this what we have explained earlier in this section around the trust issues LBCs have with their purchasing clerks, it becomes clear what interviewee 47-a Manager from FTI-mentioned:

> ''*Running an LBC in Ghana is very difficult considering the risks involved and variable operational costs, prompting most LBC to trade unfairly*''. Interviewee 44 confirmed that ''*in essence, Cocobod has shed most of its operational risk unto the LBCs who in turn apply pressure on farmers through cheating them often through re-calibrated scales*''.

This pressure is key to understand as it generates challenges down the chain at farmer level which FT has been seeking to resolve. Also, as a result of this pressure, most LBCs -except for the well-funded ones with the international trading arms like Olam and Armajaro, or the ones with great market share like PBC-have challenging relationships with Cocobod as the core of their relationship is highly commercial and transactional. For these LBCs, Cocobod is seen as a monopoly creating problems in warehousing, margins and delays that hit their bottom line. From Cocobod's point of view, these LBCs tend to default on seed loans and usually fail to deliver the quantity and quality of cocoa required to earn the much needed foreign exchange-interviewee 44. On the basis of the discussion above, the governance structure prevalent is ''captive''.

In this context, both FT GVCs have no option but to operate within these power mechanisms and ''captive'' governance structure exercised by Cocobod in the conventional GVC. In fact, Kuapa Kokoo Ltd and the LBCs that Cocoa Life is working with are subject to the same power mechanisms. In this sense, interviewee 32 told us that, ''*even with Kuapa, the same commercial considerations prevail*''. Hence, the relations in the FT chains remain ''captive'' underlying the way that the conventional and FT GVCs overlap at this level. This is depicted in table 8 below.

Table 8: Conventional vs. FT GVC Governance types, LBC-Cocobod level

GVC	Governance Structure/ Intensity	Rationale
Conventional (Both FT GVCs overlapping with conventional)	*Captive-High*	• Highly transactional at financing, trading, quality and policy level involving sanctions

Source: Author

5.5.3 COCOBOD-INTERNATIONAL TRADERS/PROCESSORS RELATIONS

Despite CMC's monopoly position, the power between them and the international traders/processors in the forward market is balanced and is based on mutual commercial dependence, since Cocobod relies on them for FX. Who has the edge in this relationship is usually determined by liquidity requirements, market conditions, security of supply and preferential treatment. On this basis, the governance structure regarding forward sales at this level is ''relational''. Similarly to the previous section, FTI's focus on farming and consumer level only highlighted the lack of systemic understanding advanced by world-systems and the GVC approach. As such, both FT GVCs also overlap at this level with the conventional chain and maintain the existing ''relational'' governance structure.

As we explained in the ''political crop'' key theme, CMC are the sole seller of cocoa abroad and buyer of all cocoa from LBCs internally creating effectively a monopoly through their unique position in the chain. With 70% of Ghanaian cocoa sold forward to international traders/processors, the relationship between them and Cocobod is key to the Ghanaian economy for FX earning, to LBCs for financing and to farmers in order to get paid.

Interviewee 37, a CMC marketing manager, suggested this is a highly transactional relationship underpinned by two key criteria: Price and conditions of trade: Price is determined by market but also type of crop (main crop, light crop, small crop), as they entail different percentage of fat. Conditions of trade include trade claims, shipment quality and payment on time. As far as their overall relationship goes, interviewee 33-a logistics manager from a major cocoa processor/trader- highlighted that ''*Cocobod's role has ensured some high level of uniformity in the Ghanaian cocoa sector*''. For them, this has been manifested through the provision of personal account management, whereas in the past they had to deal directly with the farmers' association. In this regard, he emphasised that Cocobod makes trading in cocoa easier than in other countries like the Ivory Coast.

In terms of the power play between Cocobod and the international traders/processors, the power is fairly balanced and the edge is determined by cash, market conditions, security of supply and preferential treatment. For example, when Cocobod needs to raise money quickly they sold cocoa beans to its domestic processors/traders in a pre-financed model (ibid). Interviewees 27-certification manager & deputy from Armajaro-also told us that supply and demand determine who has the edge in this relationship. For example, when there is oversupply, international traders/processors have the edge, but when there is high demand, CMC has the upper hand.

Similarly to the branded manufacturers, security of supply underpins the purchasing of international traders/processors, hence cocoa beans are purchased from CMC three months in advance to ensure sustainability of production, whilst they tend to sign annual contracts with their suppliers regarding the quantity of beans they require for that year. Furthermore, they purchase most of the cocoa from CMC at a specific period in the year where they get up to 20% discount-interviewee 33. Lastly, interviewee 33 mentioned that international traders/processors get preferential treatment from CMC as opposed to the local ones, manifested through the payment timeframe. As we said earlier, whilst internal processors were asked to pre-finance their purchases of cocoa, this was not the case with international traders/processors. It seems that this is driven by CMC as a negotiating tool on the basis of buyers' concerns about security of supply.

The discussion above indicates that despite's CMC's monopoly position and the consequent power mechanisms it's using, like discount on crop, playing off local against international traders/processors, the power is fairly balanced. This is also because CMC heavily relies on them to raise money and FX and the international traders/processors have the option to buy from another producing country. The mutual dependence, complex interactions and personal ties indicate that the governance structure regarding forward sales at this level is ''relational''. However, in spot selling, the structure naturally resembles a market structure.

Similarly to the relations between Cocobod and LBCs earlier, both FT GVCs have no option but to operate within this marketing structure. Hence, as far as shifting relations and governance structure are concerned, FT does not have any impact at all. The relations in the FT chains remain ''relational'' underlying this way that the conventional and FT GVCs overlap at this level. This is depicted in table 9 below.

Table 9: Conventional vs. FT GVC Governance types, Cocobod-International Trader/Processor level

GVC	Governance Structure/ Intensity	Rationale
Conventional (Both FT GVCs overlapping with conventional)	*Relational-High*	• Mutual dependence • Complex interactions • Personal ties • Long-term relationship

Source: Author

5.5.4 International Traders/Processors-Manufacturing Brands Relations

The relationship between the international traders/processors and manufacturing brands is based on price, quality and product development, which results in strong collaboration, mutual dependence and good balance between the parties involved. Despite this resembling a ‘‘relational’’ governance structure, the proximity to consumer demand in combination with making products according to a customer’s specifications, turns this into ‘‘modular’’ governance. FTI’s focus on farming and consumer level only highlighted FT’s lack of systemic understanding advanced by world-systems and the GVC approach. As such, although FT has helped raise awareness, the Cocoa Life-Mondelez FT GVC overlaps with its conventional chain at this level, whilst maintaining the existing ‘‘modular’’ governance structure. And, although the Kuapa Kokoo-Divine GVC mirrors the conventional chain’s ‘‘modular’’ governance, its intensity is certainly weaker as opposed to Mondelez’s due to Divine’s significantly smaller size.

To this end, according to interviewee 33 and interviewee 19, it appears that whilst price is important, the relation goes far beyond. The brands’ demand determines the price of each product the international trader/processor sells to them. For example, if there is a higher percentage of fat in the chocolate, the customer has to pay more. Consequently, quality, in terms of meeting the specific quality demands of the brands in the products, plays a significant role. These include taste, colour, texture, fat and moisture content. This works in a collaborative manner whereby, the international traders/processors provide the standard recipe and the brand provides feedback for adjustments. Following this, product development is also important in enhancing the collaborative relationship, as the international traders/processors often develop new recipes for the brands to try out and the other way around. Lastly, delivery underpins the things we have already discussed above, hence logistics are also paramount in a good relationship between them. Beyond these areas, as we mentioned earlier, there are some international traders who have been offering a sustainability proposition to brands as means to mitigate their on the ground reputation risk and reassure them about their security of supply.

Therefore, according to the discussion above, it appears that the relations are fairly balanced and both parties are interdependent. Interviewees 19 and 33 also confirmed the commercial interdependency by stating that traders need brands to buy their products and brands need continuous supply of raw material and products. This is why the relationships are long-term and are based more on trust. Although, they agreed there was a balance of power between them broadly, as we have seen in the ‘‘buyer-driven power structure’’ key theme, they also acknowledged that the demand and positioning power mechanism the brands have in their disposal gives them an edge in this typical ''buyer-driven'' chain. Interviewee 33 further added that buyers also have an additional advantage due to the perishable nature of the product that forces them to sell at some point. Although the relations are highly interdependent and resemble those within a relational governance structure, the proximity to consumer demand in combination with making products according to the customer's specifications, turns this into ''modular'' governance. BASIC (2014) also confirmed the ''modular'' governance structure at this level.

Similarly to the sections before, FT has not changed these relations and the consequent ''modular'' governance structure. As we have explained earlier though, FT has been useful in raising awareness. As interviewee 11, an ex-sustainability director of a major chocolate brand, told us, ''*previously international traders did not want to give away any power to the farmers operating in a neo-colonial manner, however due to the pressure that brands exercised, they started sourcing FT certified cocoa*''. At FT GVC level, as we have discussed in the previous key theme, FT chocolate is treated as yet another product in the shop. As such, the Cocoa Life-Mondelez FT GVC overlaps with its conventional chain at this level, whilst maintaining the existing ''modular'' governance structure. And, although the Kuapa Kokoo-Divine GVC mirrors the conventional chain's ''modular'' governance, its intensity is certainly weaker as opposed to Mondelez's due to Divine's significantly smaller size. This discussion is depicted in table 10 below.

Table 10: Conventional vs. FT GVC Governance types, International Trader/Processor-Manufacturing Brands level

GVC	Governance Structure/ Intensity	Rationale
Conventional (Cocoa Life-Mondelez FT GVC overlapping with conventional)	*Modular-High*	• Strong collaboration and mutual dependence based on price, quality and product development • Proximity to consumer demand and making products according to customer's specifications
FT Kuapa Kokoo-Divine	*Modular-Low*	• As above, but less intensive due to Divine's smaller size compared to Mondelez and the international traders/processors

Source: Author

5.5.5 Manufacturing Brands & Retailers[17]-Consumers Relations

Despite the introduction of FT branded chocolate products by supermarkets in order to address the demand of their socially/ethically aware consumers, price remained the main driver in retailers and consumers purchasing decisions. Consequently, and on the basis of the price prominence, the governance structure in the conventional chain is based on ''market'' relations. To this end, FT's decision to ''go mainstream'' through conventional distribution channels meant that relations between brands-retailers and retailers-consumers would remain the same, mirroring those in the conventional chain.

To illustrate, on the basis of the discussion we had with interviewee 4-a cocoa sustainability manager from a major retailer-it has been made clear to us that the main criteria for purchasing chocolate in order to retail are price and quality. On top of this, FT was introduced in order to capture the niche customer segment of the consumers, who are more socially/ethically aware regarding their purchases. On this note, she confided that beyond price and quality, they are retailing FT chocolate on the basis of the ''good story'' factor. Nonetheless, it was made clear to us that high prices can deter consumers from buying FT, hence price is critical in both their purchasing relationship with their suppliers but also in the retailer's relationship with the consumer.

On this note, it's hard for Fairtrade brands, with higher cost prices to maintain their market position and achieve supermarket listings. Supermarkets are increasingly holding tough negotiations on price and pursue strategies like open book accounting which enables them to pressure for price cuts. FT's higher prices can be partly explained as a result of larger conventional supermarket own brands using economies of scale and vertical integration in their value chains to reduce costs. For own brand products, retailers can also cross-subsidise from other parts of their business. But, the higher prices of Fairtrade brands are often also a result of the close relationships they have with FT producers like Divine spending 2% of their turnover in Kuapa Kokoo, as we have earlier described.

> However, it's hard to communicate the importance of these close value chain relationships to supermarket buyers and mainstream consumers, ''*for whom the FLO mark is assumed to*

[17] The reason we brought brands and retailers together as a group and did not examine the relation between them separately is that for independent Fairtrade products, like Divine's and Mondelez's, the brands act as an interface between supermarkets and the rest of the GVC, with most supermarkets having limited/no control over the GVC. As such the relationship downstream with the customer was more meaningful to examine in light of FT's focus on consumer level (Smith, 2009).

distinguish products as having been fairly traded and beyond this price becomes an important factor in purchasing decisions'' (Smith, 2008; p.9). This has also been the case with interviewee 33, who questioned ''*whether the consumer should be footing the FT bill*'', and interviewee 45-the head of Cocoa Life-who emphasised that ''*I don't support the idea of buying things expensive just because it has a fairtrade stamp*''.

As such, since price has been suggested as the driving force, the governance structure here, and as confirmed by BASIC (2014) is based on ''market'' relations. Hence, despite the introduction of FT in Divine's or Mondelez's products, relations between brands-retailers and retailers-consumers have remained the same mirroring those of a conventional chain. As mentioned previously, although FT has been useful in raising awareness, its decision to rely on conventional distribution channels like retailers and supermarkets could not effect change in the existing governance structure. This discussion is depicted in table 11 below.

Table 11: Conventional vs. FT GVC Governance types, Manufacturing Brands & Retailers-Consumer level

GVC	Governance Structure/ Intensity	Rationale
Conventional (Both FT GVCs overlapping with conventional)	*Market-High*	• Price drives retailers and consumer decision over FT ''good story''.

Source: Author

5.5.6 Conclusion

The argument in this key theme was based on Gereffi et al. (2005) and Gereffi and Fernandez-Stark's (2011) ''governance as coordination''. As such, according to Gereffi et al.'s (2005) typology of governance structures, namely; markets, modular, relational, captive, and hierarchy, we have examined the relations between nodes of the conventional and both FT GVCs in our attempt to determine the governance structure. Importantly, due to FTI's sole focus on the consumer and farmers ends of the chain, this analysis highlighted FTI's lack of appreciation in relation to the way the international trading system works through the systemic approach of world systems and GVCs, which put power relations in the centre of the analysis. To this end, existing governance structures in a node of the chain often drive impact further down the chain, especially when driven by the most powerful institutions, like Cocobod, the international traders/processors or brands.

This was illustrated by the fact that both FT GVCs failed to change the relations and governance structure in all but one of the nodes of the GVC. But even when this was achieved at farmer-LBC level in Kuapa Kokoo-Divine's FT GVC, the potential to affect change in the conventional chain at scale for all Ghanaian farmers was deemed unrealistic due to Divine's limited scale, but also due to the existing market structure at LBC level set up by Cocobod. This further illustrates Wallerstein's (1995) point on the role of states in the process of defending capital accumulation, which we have developed in detail during the ''political crop'' key theme. This way, FT does not take into account the impact that existing relations and governance structures in the middle of the chain driven by Cocobod would have down the chain at farming level.

Beyond this, and in order to summarise in a systematic manner, at farmer-LBC level, the conventional governance structure is ''captive'' on the basis of the transactional dependency of farmers on LBCs, which has been driven to a great extent by Cocobod's market structure. This has however shifted in Kuapa Kokoo-Divine's FT GVC to ''relational'' on the basis of mutual dependence, elimination of purchasing clerk-farmer mistrust issue, accountability and bottom-up empowerment. The Cocoa Life-Mondelez FT GVC remained ''captive'', due to the lack of true political empowerment as a result of the organisational goal to secure supply in a top-down manner. Despite this, the intensity of the ''captive'' governance structure was less than the one in the conventional chain due to fact that farmers have been receiving more training, advice and support towards diversification.

At LBC-Cocobod level, the highly intensive ''captive'' governance exercised by Cocobod is based on a highly transactional relationship with LBCs at multiple levels including financing, trading, quality and policy, whilst having provisions for sanctions. The highly risky environment LBCs operate is the market structure that both FT GVCs are subject to, hence the ''captive'' governance structure remains intact. Similarly, FT is subject to the ''relational'' governance structure prevalent in the conventional chain at Cocobod-International Traders/Processors level. This structure is based on mutual dependence, complex interactions, personal ties and a long-term relationship.

At international Traders/Processors-Manufacturing Brands level, since FT is treated as yet another product in the shop for Mondelez, the Cocoa Life-Mondelez FT GVC overlaps with Mondelez's conventional chain. As such, the ''modular'' structure prevalent is based on the proximity to consumer demand and making products according to customer's specifications. This is also the case for Kuapa Kokoo-Divine's FT GVC, but at lower intensity given Divine's significantly smaller scale compared to Mondelez and the international traders/processors. Lastly, at Manufacturing Brands & Retailers-Consumer level, despite the introduction of FT branded chocolate products by supermarkets, price remained as the main driver in retailers and consumer purchasing decisions, which in essence is translated in a ''market'' governance structure. This has been inevitable given FT's strategic decision to ''go mainstream'' through conventional distribution channels.

CHAPTER 6 – FINDINGS: COTTON-GARMENT GVCS (INDIA-UK)

Having examined the cocoa-chocolate GVCs between Ghana and the UK, the aim of this chapter is to examine the research questions for the cotton-garment GVCs between India and the UK. In contrast to the previous chapter, whereby FT certified cocoa has been well-known in Ghana, this has not been the case in India. To this end, SSI (2014) suggested that FT certified cotton has negligible or no contribution relative to India's national cotton production, which has also been manifested during our interviews as only 8 out of our 22 interviewees in the field (India) have heard of FT. This, in combination with the fact that FT cotton was introduced much later than chocolate, have resulted in significantly less data for FT cotton in India as compared to FT chocolate in Ghana.

Despite this, after describing the conventional and the two FT GVCs, similarly to the previous chapter, we structure our analysis according to the four key themes that emerged through a combination of our literature review and fieldwork that were outlined in the introduction:

1. Sustainability – Driven by FT's ''mainstreaming'' and working with TNCs. This was further enhanced by our fieldwork, whereby the concept of corporate sustainability was often mentioned in relation to FT's mainstreaming and the sustainability of Fairtrade International.

2. Political – Driven by the strong role of the nation state as a mechanism that enables capital accumulation as per Wallerstein and FT's notion of empowerment we outlined earlier. This dimension was also further enhanced through our fieldwork whereby we were constantly being reminded of the strong role of the state and politics across our case studies.

3. ''Buyer-driven'' – Articulated by the power that TNCs exercise and derived from GVC's ''governance as power'' concept.

4. Chain Relations and Coordination – Demonstrated by the types of governance structures we earlier outlined through GVC's ''governance as coordination'' concept.

As such, we discuss sustainability, through the corporate sustainability concept and then through FT's organisational sustainability. In turn, we analyse the role of the Indian government, the key role the cotton-textile GVC plays in the Indian economy, along with upgrading and protectionism from a political economy angle. Lastly, we describe FT's approach to the political dimension through farmer organisation and empowerment across conventional and FT chains. In turn, we will look at the ''buyer-driven'' power structure, through the power mechanisms our interviewees most often cited in relation to FT: customer demand, quality, profitability, purchasing power and value added. Finally, we look at the chain relations through the analysis of the governance structure between nodes of the chain, from farmer to consumer.

6.1 DESCRIPTION OF GVCS

To this end, this section starts by outlining the conventional value chain followed by the FT value chains from Chetna-No Nasties and Agrocel-M&S.

6.1.1 CONVENTIONAL GVC

We will first outline the conventional cotton-garment value chain between India and the UK as described through our interviews and secondary data in figure 19 below. One of the first things we are able to observe is that, unlike the previous cocoa-chocolate GVCs, most of the activities take place in-country, in India, and only marketing and branding takes place in the UK. This is not only a strong indication of the value added in India, but also of the associated relatively improved power balance between vertically integrated manufacturers in India and retailers/brands in the UK.

Figure 19: India-UK Cotton-Apparel Conventional GVC

Cotton-Apparel Conventional Value Chain	Cotton Production	Preliminary Processing	Processing	Manufacturing	Branding & Retailing
Activities	■ Farming/Planting ■ Cultivation ■ Harvesting	■ Ginning ■ Warehousing ■ Trading	■ Spinning ■ Trading	■ Weaving ■ Dyeing ■ Designing ■ Convert ■ Trading	■ Marketing ■ Branding ■ Retailing
Input	■ Seeds ■ Fertilisers ■ Pesticides ■ Machinery	■ Raw cotton	■ Lint	■ Yarn	■ Final Garment
Output	■ Raw Cotton	■ Lint	■ Yarn	■ Final garment	■ Sold Final Garment
Geography & Organisation	■ Local standalone smallholders	■ Local Private ginners/Domestic Vertically integrated manufacturers	■ Domestic Spinners/Vertically integrated manufacturers	■ Domestic Vertically integrated manufacturers	■ International Retailers/Brands

Source: Author (compiled from interviews, Cotton Connect 2014, Environmental Justice Foundation 2009, UNCTAD 2010, Hutson et al. 2005)

We should also note that the length of the chain, complexity of the industry and organisational strategies have generated various possible chain combinations. The complexity arises from the fact that there are chains which are vertically integrated from ginning to manufacturing, including our preliminary processing, processing, manufacturing nods in one. Alternatively, there are disaggregated chains whereby traders are separated from spinners and spinners from vertically integrated manufacturers. In the meantime, we could have independent agents or direct selling between every node of the chain. For these reasons, we have simplified the chain by using five main nodes and listing a variety of activities below, as per our interviewees' suggestions. Finally, we should state that we haven't included agents or the Cotton Corporation of India (CCI) who are heavily involved in trading across the chain. On the same note, due to time and resource limitations, we haven't included input providers. We will, however attempt to provide this analytical rigor during the analysis in the key themes, that follow.

6.1.2 Chetna-No Nasties FT GVC

Following the conventional chain, we will now be outlining the FT chain that includes Chetna and No Nasties, as per figure 20 below. No Nasties present themselves as a 100% organic FT clothing brand. According to interviewee 66-CEO of No Nasties-they sell directly to consumers online internationally, which is 80% of their business, whilst 20% is exports made to wholesalers. Their recent plans include expanding in the Indian market.

In relation to their links down the chain, interviewee 66 told us that when they started they worked with Chetna and followed Chetna's factory partner, Rajlakshmi Cotton Mills Private Limited (RCML), for t-shirt manufacturing. So, they initially bought from one factory only and they marketed these products. Later though, as they have expanded, they realised they couldn't just rely on one factory and one cotton supplier. Hence, they have added Pratima Organic and Pratima Organic and Suminter Organic. However, according to the No Nasties website (2015), since Chetna provides the majority of the cotton for the No Nasties printed t-shirts, we will be focusing on the Chetna-No Nasties chain in this analysis. Also, at manufacturing level, beyond Rajlakshmi Cotton Mills Private Limited, they have also added Armstrong Knitting Mills, who are considered one of India's leading sustainable textile companies. In addition, they also work with smaller factories who have been working with conventional cotton and are now trying to transition to FT and organic.

As a result, interviewee 66 told us that they have lost direct contact with the ground level and they rely solely on the FT certification process to audit and oversee impact. The only way to stay in touch with ground level is some projects they are doing to empower women, but their main focus is to increase scale and volume at this stage. Instead, the ones who have the relationship with farmers and their cooperatives are their manufacturers, like Armstrong Knitting Mills. He further suggested that their on the ground impact has been minimal since they are very small. To this end, interviewee 54-CEO of a cotton FTO-justified No Nasties' small impact also on the basis that they only do certification and little beyond this, unlike FTOs like Pants to Poverty and People Tree.

Besides this, a bottom-up view of the chain shows that farmers are firstly organised in farmer self-help groups, which, in turn, are arranged into 13 co-operatives. The Board members from each of these cooperatives form the Board of the Chetna Organic Famers Association (COFA) and Chetna's Organic Agricultural Producer Company Limited (COAPCL). COFA is a not-for-profit farmer support organisation engaged in technical training, social improvement, capacity building, policy and advocacy work. COAPCL, on the other hand, is a commodity trading company that works on developing sustainable national and international market linkages for smallholder farmers' agricultural products (Fairtrade Foundation, 2015).

Figure 20: India-UK Chetna-No Nasties Cotton-Apparel FT GVC

Chetna-No Nasties FT Value Chain	Cotton Production	Farmer Organisation	Preliminary Processing	Processing/ Manufacturing	Branding & Retailing
Activities	■ Farming/Planting ■ Cultivation ■ Harvesting	■ Technical training, social improvement, capacity building, policy and advocacy work ■ Commodity trading	■ Ginning ■ Warehousing ■ Trading	■ Spinning ■ Weaving ■ Dyeing ■ Designing ■ Convert ■ Trading	■ Marketing ■ Branding ■ Retailing
Input	■ Seeds ■ Fertilisers ■ Pesticides ■ Machinery	■ Financial resources ■ Management	■ Raw cotton	■ Lint	■ Final Garment
Output	■ Raw Cotton	■ Farmer Organisation	■ Lint	■ Final garment	■ Sold Final Garment
Geography & Organisation	■ Local standalone smallholders	■ Self-Help Groups (SHGs) ■ Chetna Organic Farmers Association (COFA) ■ Chetna Organic Agricultural Producer Company Limited (COAPCL)	■ Subcontracted Local Private ginners	■ Rajlakshmi Cotton Mills Private Limited (RCML) ■ Armstrong Knitting Mills ■ Other factories	■ No Nasties own 100% FT branding with FT label through online consumer retailing ■ No Nasties B2B selling to wholesalers according to their branding requirements and their conventional retail channels

Source: Author (compiled from interviews)

As we are able to see from figure 20, when compared to the conventional chain the main differences are:

- **Farmer Organisation –** The introduction of a chain node between cotton production and preliminary processing, or between farming and ginning level, that involves farmer organisation in a democratically-run cooperative. We will examine Chetna's multilayered structure and associated activities in more detail during the ''political crop'' key theme.
- **Sub-contracting preliminary processing –** Although, the preliminary processing node hasn't been eliminated, in effect it has been by-passed through Chetna maintaining ownership of the cotton and lint through this node via subcontracting ginners to undertake processing, according to interviewee 67-FTI's Manager.
- **Vertically integrated manufacturers** – After receiving the lint from ginners, it's been delivered to vertically integrated manufacturers (mostly to RCML) and not to spinners only (processing node) like in the conventional chain.
- **Retailing/Branding** – Although retailing and branding still takes place, it's been undertaken by No Nasties in the form of a new entrant in the market, who sell directly to consumers online under the No Nasties brand including the FT label, and to wholesalers on the basis of their clients' branding requirements and the same FT label.

6.1.3 AGROCEL-M&S FT GVC

As discussed earlier, M&S's FT chain is part of a broader sustainability strategy named Plan A. Also, according to Traidcraft (2009), Marks & Spencer (M&S) was the first high street retailer to become involved with Fairtrade cotton in the UK. They have initially committed to purchasing volumes of cotton from Agrocel, which was an unprecedented step in commodity supply chains.

Following this, interviewees 65-the managing director and senior vice president of marketing of a major vertically integrated manufacturer-told us that on the back of their relationship for conventional garments, they have also been instructed by M&S to procure FT lint from the ginners that Agrocel took the cotton to, and then process it according to their quality specifications so they can market it in the UK with the FT mark. As such, at the vertically integrated manufacturer level, M&S's conventional and FT chains overlap. On this note, interviewee 63-CEO of FT India-noted that the Chetna-No Nasties FT GVC overlaps too at this stage as they procure some of the garment from the same garment factories as M&S.

In relation to their links down the chain, interviewees 65 told us that M&S and similar retailers/brands do not have visibility below vertically integrated manufacturer level. We will examine why this is the case later, but for now we need to note that the relationships down the FT chain are in essence controlled by the manufacturers. On this note, a bottom-up view of the chain involves farmer organisation under contract production, which has evolved into a formal cooperative in Agrocel Pure & Fair Cotton Growers' Association under the guidance of Agrocel industries, which has been the promoting body that helped farmers organise and bought their produce (Fairtrade Foundation, 2015). We will, however, examine contract production in relation to both Agrocel and Chetna during the ''political crop'' key theme.

Figure 21: India-UK Agrocel-M&S Cotton-Apparel FT GVC

Agrocel-M&S FT Value Chain	Cotton Production	Farmer Organisation	Preliminary Processing	Processing/ Manufacturing	Branding & Retailing
Activities	■ Farming/Planting ■ Cultivation ■ Harvesting	■ Improve farming techniques ■ Productivity ■ Marketing support ■ Community Development	■ Ginning ■ Warehousing ■ Trading	■ Spinning ■ Weaving ■ Dyeing ■ Designing ■ Convert ■ Trading	■ Marketing ■ Branding ■ Retailing
Input	■ Seeds ■ Fertilisers ■ Pesticides ■ Machinery	■ Financial resources ■ Management	■ Raw cotton	■ Lint	■ Final Garment
Output	■ Raw Cotton	■ Farmer Organisation	■ Lint	■ Final garment	■ Sold Final Garment
Geography & Organisation	■ Local standalone smallholders	■ Contract Production ■ Agrocel Pure & Fair Cotton Growers' Association	■ Local Private ginners ■ Agrocel's ginning facility	■ Armstrong Knitting Mills ■ Alok Industries ■ Quantum Knits ■ Others	■ M&S conventional branding and retailing with FT label

Source: Author (compiled from interviews)

As we are able to see from figure 21, when compared to the conventional and Chetna's FT chain, the main differences are:

- **Farmer Organisation** – The introduction of a chain node between cotton production and preliminary processing, or between farming and ginning level, that involves farmer organisation in a democratically-run cooperative. We will further examine and contrast Agrocel's nature of farmer organisation and empowerment to Chetna's during the ''political crop'' key theme.

- **Preliminary processing** – Although, the preliminary processing node has been subcontracted in Chetna's case earlier, in this case it is maintained in its initial form as in the conventional chain, whilst some volume is processed through Agrocel's ginning facilities.
- **Vertically integrated manufacturers** – After receiving the lint from ginners, it's been delivered to vertically integrated manufacturers and not to spinners only (processing node) like in the conventional chain. This is where the two FT chains overlap.
- **Retailing/Branding** – Branding still takes place in the form of the existing brand name and packaging with the added FT label on the product. This is the main difference with No Nasties who sell via their own new entrant 100% FT brand online, or with another brand as per client's branding requirement. In M&S case, retailing is also undertaken through the same conventional chain and channels.

6.2 Sustainability

Similarly to the sustainability key theme in cocoa, the main argument in this key theme also builds on FT's ''mainstreaming'' we presented in chapter 2. As such, the strategic re-orientation of the fair trade network away from an alternative trading system in order to work within the existing trading system and TNCs (through FT), was critical. Our argument also builds on the drive for capital accumulation advanced by Wallerstein (1995) in chapter 2.

In light of this, through the analytical lenses of the Global Value Chain (GVC) and our power analyses, we have focused on the importance of contextual factors and power exercised by TNCs in shaping Fairtrade. As such, this key theme builds on what we have discussed in chapter 2, whereby Gereffi (1994) utilised the ''buyer-driven'' concept to describe the vertical power exercised by large buyers on the way GVCs, and in this case, FT operate. To the same end, we have also referred to our feminst power analyses lenses in order to identify and describe the horizontal power relations between the FT Foundation, FTI and No Nasties or M&S, as well as to understand the differences between the upstream ends of their chains. We have also built on the institutional context, in order to understand the economic, social and institutional dynamics that shape existing power relations in the GVCs in question in relation to FT (Gereffi and Fernandez-Stark, 2011).

To this end, during the course of this section we discuss corporate sustainability underpinned by a strong profit motivation and the role of FT within corporate sustainability strategies like M&S's Plan A. Following this, we elaborate on FT's organisational sustainability through its top-down approach and cost of certification. Consequently, and on the basis of the criticism articulated against FT, we present FTI's new business model that aims to address some of its limitations and compete with BCI in light of a reduced certification market share.

6.2.1 Profit-driven Corporate Sustainability

Similarly to the previous chapter, sustainability has been noted as one of the important things to consider in relation to FT cotton, according to interviewee 63-CEO of Fairtrade India, interviewee 6-sustainable materials specialist for a major retailer, and interviewee 9-CEO of a cotton sustainability consulting firm. Building on this, we argue that, whilst most garment retailers in the UK have been exercising power through a strictly transactional and commercial-driven approach, others like M&S saw an opportunity to maintain the same commercial focus whilst also enticing a customer segment that wanted to know more about the way their garments were made. In order to do this, FT was initially heavily utilised by M&S until they decided to introduce and embed sustainability across their organisation with the ultimate aim to extract as much commercial value as possible from every product they sold through their reputation as an ethical and sustainable retailer. This process was underpinned by strong reporting, measurement and communication mechanisms that recorded and communicated not only sustainability commitments and achievements to the public, but also delivered commercial value from pursuing an all-encompassing sustainability business strategy.

However, M&S's drive for profitability through a sustainability strategy inevitably had consequences for FT. This can be explained on the basis of FT's ''mainstreaming'' that involved working within the existing trading system and TNCs, and Wallerstein's (1995) position on the primacy of capital accumulation. So, although FT was initially viewed by M&S as a good starting point to address the needs of this specific customer segment, they later realised that expanding the scope was necessary in order to boost brand reputation and extract more value. Consequently, this has further confirmed the primacy of the profit motivation of TNCs and demoted FT as a small part in a broader sustainability business-driven strategy.

In order to illustrate the argument above, we use Wilson's (2003) corporate sustainability definition as well as Marrewijk's (2003) five ambition levels of corporate sustainability, which we articulated in the previous chapter. In this context, the strictly commercial approach of major garment retailers in the UK was confirmed by interviewee 48, the Head of the Central Institute for Research on Cotton Technology. He suggested that ''*retailers' decision to purchase garments from textile manufacturers is only based on price*'', whilst interviewee 21-the Head of Business Development for a major garment manufacturer-verified that ''*most UK retailing brands only relate to them based on price*''. Having said that, we have earlier referred to Traidcraft (2009), who claimed that M&S was the first high street retailer to become involved with Fairtrade cotton in the United Kingdom in 2006. The driver that led a major retailer, like M&S, to introduce FT garments from farmers in the Gujarat region of India supported by Agrocel, was related to shoppers' purchasing behaviour. A survey commissioned by M&S showed that almost a third of shoppers had put clothes back on the rails because of concerns about their origins. In addition to this, 78% of shoppers wanted to know more about the way clothes were made, including use of chemicals and conditions in factories producing the goods (BBC, 2006).

On this basis, M&S made the first forward contract for cotton and offered £600k pre-finance agreement to fund FT premium and input costs (M&S, 2005). FT labeling on clothes was deemed to address the shoppers concerns that affected their purchasing behaviour, as according to interviewee 6 ‘‘*FT is very well recognised by consumers and they have a great story behind it*’’. The commercial rationale’s prevalence over any ethical and social considerations that FT is raising, was repeatedly confirmed by various interviewees. For example, interviewee 25-ex-Oxfam manager involved in FT-suggested that he’s encountered situations whereby a major brand has committed to buy FT certified clothes and then backed down, or situations where a brand has tried to squeeze them on price despite the fact the product was FT certified. He further added that ‘‘*retailers don't even know about cotton, yarn, or fabric, they just want to know how much the t-shirt costs*’’. Interviewee 34-the founder of a cotton FTO-added that:

> ‘‘*Conventional buyers only want the FT label and they buy based on price*’’.

The priority of commercial considerations ahead of what FT really stands for was also evident from M&S themselves. As such, the CEO of M&S did not express a long-term commitment to FT by stating that it was unlikely that the chain's whole clothing range would become Fairtrade (BBC, 2006). This has led interviewee 67-FTI’s manager-to argue that:

> ‘‘*Conventional players like M&S display lack of commitment for FT cotton, as demonstrated by their move to BCI cotton, which has affected the FT farmers due to the loss of the FT premium*’’.

Therefore, based on this evidence and similarly to the previous chapter, in relation to Marrewijk’s (2003) five ambition levels of corporate sustainability, we argue that M&S’s early involvement with FT we have just described resembles a hybrid between the ‘‘compliance-driven’’ and the ‘‘profit-driven’’. It is ‘‘profit-driven’’ on the basis that it aimed to address shoppers’ purchasing behaviour. However, since the articulation and integration of social, ethical and ecological aspects hasn’t been fully developed yet, we could not position this solely in this grouping. It’s also ‘‘compliance-driven’’, since it is providing welfare to society, within the limits of regulations from the rightful authorities, which is Fairtrade and the FT standards in this instance. Although, this involvement may have been perceived as the correct behaviour at the time, the evidence above suggests the primacy of commercial considerations. Hence, we think the hybrid between the two is the right grouping.

Going forward though, M&S shifted away from FT, on the basis that although ‘‘*FT is a good baseline, still there is more we can do over and above FT rules*’’ (M&S, 2005). Interviewee 4-a sustainability manager from a major Retailer-criticised FT for not covering the problem holistically as they do not consider all sustainability angles, such as yield, women, agricultural practices, empowerment, leadership and access to markets. To this end, she claimed that big retailers, like

M&S, undertake sustainability strategies for security of supply, reputational reasons and moral obligation. On this note, interviewee 63-CEO of Fairtrade India-emphasised that:

> ''*The shift away from FT certification to sustainability has taken place in the context of the entire global business community which has been evolving and developed concepts like ''sustainability'', which was not there as a notion 25 years ago*''.

In this context, M&S (2010) suggested that Plan A was launched in 2007, just a year after M&S introduced FT garments. We have previously explained in chapter 3 that Plan A is a sustainability strategy that encompasses commitments across five different areas: Climate change, waste, natural resources, health and wellbeing and Fair partner. In relation to FT though, it is critical to highlight that FT remained part of Plan A. But, whilst the FT Foundation (no date) mentioned that Fairtrade is a key part of Plan A, interviewee 6 highlighted that:

> ''*FT cotton sourcing in M&S represents only 10-15% of their overall volume*''.

The low percentage of FT cotton with Plan A was justified on the basis of a highly commercial strategy which was going beyond Plan A and lied with the buying department, who hold the real decision-making around sourcing. M&S Plan A report (2015; p.2) confirmed that ''*Plan A is a business plan*''. As a result, buying decisions are dictated by price and the purchasing is usually done on a quarterly and not long-term basis. On this basis, interviewee 6 underlined that:

> ''*M&S do not face any loyalty issues in picking FT over others. Price dictates which category cotton to buy from including BCI, Organic, FT or recycled. M&S don't believe they should be charging their customers a premium for products especially in the current recession environment*''.

Interviewee 15, a sustainable materials specialist for a major retailer, further highlighted that beyond price they also pick suppliers on the basis of quality, innovation, service, on time delivery and good relationship. As such, even ''*Plan A and sustainability are only one part of a whole range of criteria*'' (ibid). Whilst these criteria have been verified by interviewee 21-the Head of Business Development of major garment manufacturer-he claimed that although M&S are a better brand than other UK Retailers who only negotiate based on price, M&S also require a competitive price along with the fulfilment of certain sustainability criteria, like an ECO factory status. This has led interviewee 9 to question big retailers' genuine interest in sustainability since their ''*model is based on selling a commodity with a sustainability attribute*''. The highly commercial nature of M&S's corporate sustainability advanced through Plan A, as well as FT's demotion with a wide-ranging

Plan A can be illustrated from figure 22 below. To this end, we can see that Plan A has been underpinned by £625m net benefit since 2007, whilst FT has only been limited in 1 of the 6 main themes of Plan A (within ''products''), also as a sub-theme within this area.

Figure 22: Plan A Scope and Impact

Theme	Scope	Impact
Customers	*Engaged customers in a range of Plan A activities that benefit them, their communities and the environment*	• 2.8bn carrier bags saved • £15m raised for Oxfam and £50m for other charities • 1m customers engaged with Plan A
Products	*Built Plan A into M&S products, reducing their impact on the environment and helping the people involved in making them*	• 64% of our products have at least one Plan A social or environmental quality • 32% of cotton used to make clothing comes from a sustainable source, including Fairtrade
Suppliers	*Worked with suppliers to help them become more efficient, reduce environmental footprints & provide good working conditions for employees*	• 32% of M&S food comes from suppliers that meet the M&S Silver Sustainable Factory Standard • 652,000 workers in M&S General Merchandise supply chains have received training since 2010
Operations	*Improved the way we design and operate stores, warehouses and transport fleets in the UK & Ireland to increase efficiency and reduce waste*	• Zero net emissions • World's only retailer with carbon neutral operations
Employees	*M&S employees have made it all happen – with great leadership from Plan A Champions*	• 5000 volunteering days taken in 2014 • 38% of M&S Board are women
Shareholders	*M&S shareholders have seen Plan A deliver financial benefits and transform the quality of information they receive*	• £625m net benefit generated by Plan A since 2007 • £160m net benefit generated by Plan A in 2014

Source: Adapted from M&S (2015)

On the basis of the evidence above and in relation to Marrewijk's (2003) five ambition levels of corporate sustainability, we argue that M&S's current involvement with FT has shifted from the hybrid between the ''compliance-driven'' and the ''profit-driven'' we described earlier, to solely ''profit-driven''. Limiting FT and demoting it as a small part in a broader sustainability strategy has removed the element of compliance that was previously driven by the FT standards. In the meantime, the emphasis on outcomes and measurement, as indicated by figure 22 above, in a conception of corporate sustainability that is underpinned by commercial motivations to enhance corporate reputation, clearly indicate a profit-driven orientation.

6.2.2 FTI's Organisational Sustainability

Having established the profit-driven motivation of big retailers in their involvement with FT, which has ultimately led to FT being increasingly undermined within Plan A's sustainability strategy, we will now focus on the implications of this which have been quite significant in terms of FTI's organisational viability and sustainability. Similarly to the previous chapter, this was further compounded by the critique articulated against FT's top-down approach which was underpinned by FT's high cost of certification. Consequently, the FT Foundation and FTI advanced a licensee-based model whilst broadening the scope beyond certification and loosening the FT standards in order to increase sales. In parallel, FT's organisational viability and sustainability are under threat in light of the increasing competition from BCI certification.

1. **FT Approach –** Similarly to the previous chapter, FT has been criticised for its top-down approach that doesn't take into account the specific development context in India within which it operates. This is in line with Gereffi and Fernandez-Stark's (2011) and feminist power analyses' reference to the importance of the context, in order to understand the economic, social and institutional dynamics that shape power relations in GVCs. On this basis, we argue that FT have advanced a uniform and top-down solution to a context which is highly multidimensional and consists of sustainability of production concerns, cotton farmers' suicides, ginners squeezing farmers on price, adverse weather that affects the crop, low productivity cotton farming areas, input prices and farmer indebtedness. Despite FT's efforts to resolve some of these issues, the scale and multiple facets of the problem have been overwhelming for FT's scope, scale and approach. Also, in relation to FT's cost of certification and in line with our feminist power analyses that focus on horizontal power relations, we argue for the cost advantage and access that FT provides to bigger producer organisations as opposed to smaller ones.

For example, farmers' suicides were frequently referred to as a serious problem for the Indian cotton industry, according to interviewee 49-the deputy general manager of the Cotton Corporation of India, and interviewee 53-a cotton industry consultant. To this end, The Guardian (2014) quantified the problem by suggesting that more than 270,000 Indian cotton farmers have killed themselves since 1995. This is an alarming number when considering there are 4 million cotton farmers in India. Interviewee 54-the CEO of a cotton FTO-added that if we also take into account the number of people dropping out of cotton because of the dire conditions that lead to farmer suicides, the sustainability of cotton production is under great risk. He further estimated that with the numbers he's encountered on the ground, there may be no cotton production in 30 years from now. Campaigners linked suicides to the high price of genetically modified seeds flooding the market, which is piling pressure on poorly paid growers, forcing many into a cycle of unmanageable debt (The Guardian, 2014). Whilst this assertion has some merit, interviewee 49 also offered additional explanations, such as family problems, and interviewee 53 suggested that farmers are being squeezed on price by ginners.

In this context, at FTI and FT principle level, interviewee 25-an ex-Oxfam manager-suggested that:

> ''*FT has a blanket approach across value chains and this is why it hasn't been working*'', whilst interviewee 4 criticised FT for not addressing the problem holistically as they do not consider all sustainability angles. Nonetheless, interviewee 63, the CEO of FT India, acknowledged that ''*Fairtrade is not a magic bullet*''.

This is in line with FT's theory of change that recognises that the nature and extent of change brought about by Fairtrade interventions will depend on a range of contextual factors, as we have explained in the previous chapter. On GVC level, No Nasties (2015) mentioned on their website that farmers' suicides were too disturbing for them to ignore. As a result, this led them to launch a business that would attempt to solve the problem through FT certification. On the other hand, interviewee 54 and interviewee 67 argued that M&S do not have any visibility of the chain below vertically integrated manufacturer/spinner level and, hence did not even demonstrate awareness of the problem.

Beyond farmers' suicides, interviewee 59-the head of a cotton farmer association-and interviewees 62-the president and owner of a vertically integrated manufacturer-told us that living in a low productivity area can also be detrimental for farmers and unfortunately uncontrollable. Also, despite living in a low productivity area, farmers don't tend to want to leave their land and families behind. Weather is also a major risk, so, if there is no rain or late rain, the volume of production and quality will be adversely affected. As interviewee 67 highlighted though, in order to mitigate adverse weather, Agrocel have been delivering irrigation systems and ponds to conserve water, funded by FT premium. On the same note, interviewee 48 and interviewee 54 suggested that in case of failed crop due to adverse weather conditions, the Government is providing crop insurance at scale. Furthermore, in terms of input costs, GM cotton seeds are 2-3 times more expensive so poor farmers can't afford them. In this instance, Agrocel provides pre-financing inputs and extension training-interviewee 67. So, although some of these initiatives at FT GVC level are helpful, as we will see from our analysis in the next key themes, they are only taking place at small scale for members of Agrocel's association and could not be scaled up for the majority of the farmers in the conventional chain. In contrast, the crop insurance from the government could reach significantly more farmers, not just the FT ones.

It should also be highlighted that access to finance has also been highlighted as one of the main issues farmers face. Interviewees 65-the managing director and senior vice president of marketing of a vertically integrated manufacturer-informed us ''*at the time of sowing farmers will borrow money form moneylenders at excessive rates, as high as 36% per annum*''. Along with interviewee 53, they have added that private money lenders should be eliminated as they significantly contribute to farmers' indebtedness and potentially to the suicides we referred to earlier. On this note, although both Chetna and Agrocel help reduce farmers cost of inputs and financing, they are only still able to do this for the farmers who are part of their cooperatives and their FT chains. If they wanted to scale this up they wouldn't be able to do so for reasons we will cover later, but also because, according to interviewee 53, ''*there is no political will to eradicate this power imbalance as politicians, bankers or their network of people are often involved in these profiteering money lending practices*''.

Also, similarly to the previous chapter and in line with the focus of our feminist power analyses on horizontal power relations, FT was criticised for the cost of certification and the consequent disproportionate cost advantage and access that FT provides to bigger organisations as opposed to smaller ones. For example, interviewee 51-a project manager from the Agrocel-M&S GVC-suggested that:

> *''All organisations in the chain need to go through the same certification process and cost regardless of their size, activities, which creates an uneven level playing field between big and small organisations*''.

In addition, interviewee 54 suggested that ''*FT certification is expensive and this is penalising the whole chain and ultimately the farmers and consumers who do not get a fair share*''. As such, according to FloCert (2014), and the items outlined in appendix 6, on the basis of a 50 people producer organisation, with the producer organisation paying the application fee and the promoting body paying fees for itself without transferring the cost of certification to the farmers, and without processing/subcontracting and modifications, the cost of certification would be around €29.6 per farmer for the first year and around €14.7 per farmer for the second year. For a 1000 people producer organisation, the respective numbers would be €2.3 per farmer for the first year and around €1.2 per farmer for the second year.

2. **FTI Business Model** – In response to the criticism leveled against FT above and as we have argued in the previous chapter, FTI and the FT Foundation have reviewed FTI's business model, which was heavily influenced and driven by their earlier strategic decision to ''go mainstream''. As such, the decision to move beyond certification and donations to sustainability and a self-sustained organisation based on licensee fees reflected not only the move of TNCs toward corporate sustainability that resulted in FT being demoted, but also FTI's conscious effort to survive in a competitive market as a mainstream organisation relying on fees from the TNCs. So, whilst FTI have developed more flexible models to address the needs of TNCs and their own commercially-driven organisational needs, this has come at the cost of sacrificing FT principles and alienating FTOs, whilst the jury is still out as to what extent consumers will understand the difference between the resulting FT labels.

So, whilst we have demonstrated the rationale for FTI's shift to the new business model underpinned by FT's theory of change in the previous chapter, there have been some additional elements that reflected the increasing influence of corporate sustainability in FT cotton and FT cotton's unsuccessful track record. To this end, interviewee 63-CEO of Fairtrade India-emphasised that ''*sustainability is key in the business community, especially in cocoa, and it may quickly follow in cotton*''. In response to this, ''*FT has been evolving as well. Initially, FT communicated the certification and label only but now FT is going beyond this in providing producer services, institutional capacity building, child labour, sustainable supply chain and premium use. All these things haven't been communicated previously but they are now*''. This shift was also articulated in official FT communication, whereby FT is attempting to demonstrate their contribution in the sustainability agenda. As such, FTI (2010) suggested that FT plays an important role in the sustainability agenda as a promoter of sustainable practices. This is taking place through economically supporting producers through the FT price and premium, advancing FT's environmental standards, and empowering farmers to invest in long-term social development projects.

In relation to FT cotton's track record, we have already mentioned in chapter 4 that in 2012 FT cotton sales contracted by 3.5% over 2011 and by 50% since their peak in 2008 (Fairtrade Foundation, 2013). Interviewee 6 indicated this may have been because of the high cost of FT's previous model and the logistical headache that derived from the cotton traceability requirement. But, FT's previous business model has also attracted criticism from FTOs, albeit from a different angle. For example, interviewee 54:

Criticised FT for focusing directly and solely on farming level standards whilst disregarding the rest of the chain. To this end, he questioned whether organisations, like major retailers in the UK, who claim to be 100% FT through the FT label can rightfully be 100% FT when they work with companies across the value chain who they do not adhere to any FT standards. As such, he stated that the ''fairness'' attribute of FT communicated through the label of FT isn't really fair.

In response to this criticism, FTI have recently developed two new models (see table 12). According to interviewee 63, the new models are the Fairtrade Cotton Programme which mainly addresses the commercial organisations' criticism and the Fairtrade cotton mark, which will be more suitable for organisations who are 100% FT across the chain. So, commercial organisations on the Fairtrade Cotton Programme will carry a mark with that name, whilst 100% FT organisations will carry the traditional FT mark. In essence, the FT Cotton Programme removes the traceability requirement for commercial organisation and makes it cheaper for them to buy FT certified cotton in larger volumes.

Table 12: FT Cotton models

FT cotton label	FT cotton model	Description
FAIRTRADE Certified Cotton	Fairtrade Certified Cotton Mark	Provides physical traceability of the cotton from a labelled end garment back to the farmers who grew it, with the assurance to consumers that all cotton in a finished product is Fairtrade certified.
FAIRTRADE COTTON PROGRAM	Fairtrade Cotton Programme	Provides flexibility and scalability to businesses to achieve their sourcing commitments to sustainable cotton volumes on Fairtrade terms. It is in line with their CSR goals with options for corporate and consumer communications.

Source: Adapted from Fairtrade Foundation (2015)

This shift was welcomed from interviewee 6, who claimed ''*this will reduce cost from spinner through to retailer, remove the logistical headache whilst mitigating communication problems*''. He further argued that the decision was made by the FT Foundation and was influenced ultimately by economics, rather than the pressure by a specific retailer. On the other hand, and in line with the horizontal power relations lenses advanced by our feminist power analyses earlier, interviewee 1-a Director of policy from a FTO-suggested that the FT principles are undermined, despite the different FT mark carried by 100% FT organisations and commercial organisations on the FT Cotton Programme. As we stated in the previous chapter as well, this is a power dynamic we will be encountering throughout the next key themes when comparing the two different chains.

3. **Certification Competition & ''mainstreaming''** – In line with the horizontal power relations articulated through our feminist power analyses earlier, FTI's and the FT Foundation's decision to launch the FT cotton programme, pursue a licensee-based business model and go beyond certification to sustainability, was also driven by competition from other certifications, like BCI, who they were losing significant market share to. As such, FT's developmental approach through the standards of traceability and FT premium meant very little to the buyers, since for them a certification is yet ''another product in their shop'' and their rationale for purchasing has more to do with cost, retail price and ease of implementation.

To put this argument in context, a few interviewees[18] often referred to BCI as FT's main competitor. According to BCI's website (2015), BCI operates as a not-for-profit organisation. Through a cooperation with a multi-stakeholder group of organisations and backed by companies such as Levi Strauss, Marks & Spencer, IKEA, H&M and Adidas, BCI believes it can transform the textile market and make it more sustainable (The Guardian, 2011). This takes place through a series of Better Cotton Production Principles and Criteria, that underpin a holistic approach to sustainable cotton production which covers all three pillars of sustainability: environmental, social and economic (BCI, 2015). To this end, SSI (2014) explained that BCI draw heavily from integrated pest management and good agricultural practices and lean heavily on technical assistance as part of their strategy through its partners, including Solidaridad. In fact, as a result of the training farmers have received there has been a significant reduction in the use of pesticides and increased profits, since chemicals can account for up to 60% of farming costs. On this note, M&S is funding a BCI project with WWF in India and its first harvest has shown an 80% reduction in pesticides and cut water usage by half (The Guardian, 2011).

In relation to FT, whilst according to SSI (2014), BCI permits GMO cotton, Fairtrade do not. Also, The Guardian (2011) suggested that, unlike Fairtrade, there is no formal product labelling system for consumers and no premium paid to the farmers, hence there is a much higher chance of the initiative reaching scale because it will not be seen as a niche premium product. These differences have been ultimately manifested in BCI's and FT's market shares, which have not been at all

[18] Interviewees 6, 13, 21, 48, 53 and 63.

favorable for FT cotton. As such, SSI (2014) highlighted that Fairtrade cotton production accounted for just 0.1% of global production in 2012, with 18,000 metric tons of cotton lint produced. In 2012, about 37% of the FT production was sold as certified, and sales were down to 7,000 metric tons from 19,000 metric tons in 2009. On the other hand, BCI accounted for 2% of global cotton production in 2012, with 305,000 metric tons sold in 2012 or 49% of BCI production. Importantly, this static view has been underpinned by BCI's 326% annual compound certified production growth from 2010-12, whereas FT's respective number was -9% for 2008-12 (ibid). These figures suggest that FT cotton is insignificant and declining as well. This analysis is summarised in table 13 below.

Table 13: 2012 Global FT Cotton certification market share

Certification	Production		Annual Compound Growth	
	Certified Production (mt)	Certified production market share of global production	Certified Production	Certified sales
BCI	623,000	2%	326% (2010-12)	613%
FAIRTRADE	18,330	0.1%	-9% (2008-12)	-29%

Source: Adapted from SSI (2014)

In this context and similar to the previous chapter, the following interviewees treat FT and BCI as two different product qualities that are part of their portfolio in varying percentages. When we asked them to outline the difference between them, they pinpointed the following:

- **Cost** – Interviewees 6 and 15 suggested that BCI is better for them as, in line with The Guardian's (2011) note above, it doesn't come with a premium attached to the price of cotton. Therefore, it's cheaper for them than FT.
- **Ease of sourcing** – BCI is easier to procure than FT due to FT's traceability requirements and BCI's overall less stringent requirements. However, he also noted now that FT have been losing market share to BCI, they have decided to shift to mass balance through FT cotton programme we outlined earlier-interviewee 6.

- **Customer recognition –** FT is more recognisable by consumers than BCI and it has a great story behind it. On the other hand, BCI is more subtle than FT, as it doesn't entail any formal labeling-interviewee 15.
- **Focus –** BCI is looking at farm level and has more of an environmental focus, whilst FT looks at farmer level, with limited environmental focus-interviewee 53.

As a result, interviewee 70-the sustainability assistant manager of a vertically integrated manufacturer-verified the analysis above by saying that ‘‘*BCI has expanded whilst FT shrunk*’’. Interviewees 65-the managing director and senior vice president of marketing of a vertically integrated manufacturer-emphasised that:

> ‘‘*There was no demand for FT this year from the buyers, whilst BCI has been more in demand, with the main driver being cost. FT has the FT premium in place, whilst BCI don't have a premium, hence they are cheaper. Therefore, retailers/brands do not want to pay a premium which mainly derives from the fact that consumer no longer wants to buy a FT t-shirt with a premium partly due to recession and partly because of the scale of the premium*’’.

On this note, M&S that have historically represented a major buyer of FT cotton and garment shifted as well to BCI. So, at the moment, according to interviewees 6 and 15, M&S purchase 75% from BCI and only 10-15% of FT, on the basis of price and that M&S don't believe they should be charging their customers a premium for products especially in the current recession environment. We will however, cover the issue of the FT premium and price compounding in detail in the ‘‘buyer-driven’’ power structure key theme.

6.2.3 Conclusion

The main argument in this key theme was founded on FT's decision to ‘‘go mainstream’’. FT's reliance on TNCs led to FT being initially seen as an add-on certification to entice a segment of shoppers' to buy and then was further demoted as part of a corporate sustainability agenda. In particular, the corporate sustainability strategy of M&S, Plan A, is profit-driven by nature as it is underpinned by M&S's considerations about brand reputation, a range of commercial criteria and sustainability, of which FT is only a small part of, comprising only 10-15% of the overall cotton volume sourced.

FT's undermining was further supported on the basis of their uniform and top-down solution to a highly multidimensional context consisting of sustainability of production concerns, cotton farmers' suicides, ginners squeezing farmers on price, adverse weather that affects the crop, low productivity cotton farming areas, input prices and farmer indebtedness. Despite FT's efforts to resolve some of these issues, the scale and multiple facets of the problem have been overwhelming for FT's scope, scale and approach. Also, we argued that FT certification is expensive for farmers, and in line with our power analysis that focuses on horizontal power relations, we highlighted the cost advantage and access that FT provides to bigger producer organisations as opposed to smaller ones.

So, similarly to the previous chapter, FTI have reviewed its business model and decided to move beyond certification and donations to sustainability and a self-sustaining organisation based on licensee fees. This was further pronounced by the development of a more flexible model for TNCs that would enable them to buy more volume, albeit with a slightly different FT label, which however led to the compromise of the traceability principle and the alienation of FTOs. Nonetheless, in a marketplace whereby retailers buy on the basis of price and ease of implementation, FT's decision was also driven by its strategy to compete within the mainstream market with other certifications, like BCI who they were losing significant market share to. This was underpinned by FT cotton's irrelevance manifested by their insignificant and rapidly declining market share.

6.3 ''POLITICAL CROP''

The main argument in this key theme builds on Wallerstein's position (1995) we presented in chapter 2 on the State, as one of the institutional structures and arrangements that have allowed and defended capital accumulation. On this note, Chase-Dunn and Grimes (1995) referred to the power of states over the lives of their citizens, which has expanded in a geographical manner along with a deepening of its power over the life of its citizens. On the same note, the Government of India has had significant involvement in cotton production, trading and value added. As a result, their activity has influenced the life of cotton farmers as well as workers and manufacturers. Hence, the role of the Indian Government was often mentioned in relation to the minimum support price and the extensive bureaucracy they have put in place in order to maintain a level of control given cotton's/yarn's/textile's central role in the economy.

To compliment this, in line with Wallerstein's (1995) reference to sovereign states pursuing protectionist policies in order to defend capital accumulation in their territories, the international political dimension was also highlighted as a major power dynamic in cotton value chains. To this end, the subsidies of developed country governments were frequently mentioned as the main protectionist mechanism that favors cotton farmers in developed countries over the farmers in developing countries including India.

Despite the significance of the nation states, as we have seen in chapter 2 and in Ghana's case through Cocobod, FT chose a different path, away from international market regulation with the nation state as a primary agent in development, in favour of reforming the existing trading system on the basis of voluntary commitments from TNCs and consumers (Fridell, 2006). These commitments were to a certain extent translated into efforts to empower farmers in a way that mirrored our feminist power analyses from chapter 2, whereby we outlined power seen as empowerment in the sense of a capacity or ability to empower or transform oneself and others. This has, however, been implemented in different ways in the two FT GVCs and consequently has produced different outcomes.

In light of this, we start this key theme through analysing the role of the Indian government in relation to the minimum support price and the administrative structure it has put in place. Following this, we examine the key role the cotton-textile GVC has in the Indian economy and how the government has helped shape the GVC, along with the role of foreign governments in shaping and protecting their industries through subsidies. Lastly, we describe FT's approach to the political dimension through farmer organisation and empowerment and the way this has been implemented across each FT GVC.

6.3.1 GOVERNMENT OF INDIA POWER MECHANISMS

In line with Wallerstein's (1995) reference to the powerful role of the state in capital accumulation, the main power mechanisms the Government of India undertakes in relation to the conventional cotton-garment GVC include the minimum support price (MSP) for farmers, along with an extensive administrative function that entails input financing.

1. **Pricing: Minimum Support Price (MSP) –** Similarly to the previous chapter, the minimum support price has been used as a tool by the government in order to attract farmer votes. This was achieved by providing a ''safety net'' for the farmers in case the price offered by the local traders was lower than the MSP. In this context, although the FT minimum price was also meant to provide a ''safety'' net to farmers, market prices and the MSP have been consistently higher than the FT minimum price. As well as FT's minimum price being irrelevant, FT's underestimation of the real production costs and scale limitations were also widely acknowledged.

To illustrate, numerous interviewees[19] referred to MSP from various angles, but they were all in agreement about its importance to the farmers. With regards to the nature of the MSP and the underlying motivation, interviewee 49-the deputy general manager of the Cotton Corporation of India (CCI)-which is the biggest buyer of cotton, confirmed that the MSP represents a safety net for farmers. More emphatically, interviewee 50-the CEO of a major cotton seed trader-told us that ''*cotton is a political and not an economic crop. MSP was set up due to farmers voting power*''.

IDS and University of Greenwich (2011) explained that the MSP is usually based on expected production costs and not on market price, and represents the rate at which the parastatal Cotton Corporation of India (CCI) will purchase seed cotton from farmers if the price offered by local traders is lower. On the other hand, where the market price is above the MSP, farmers get the market price. To quantify this, the MSP in 2010 was INR 27.5 per kg and the market price was between INR 32-36. To put this in perspective, the FT minimum price was at 26 INR per kg, whilst Agrocel have been paying between INR 32.75-36.75 (ibid). Interviewee 48, the Head of the Central Institute for Research on Cotton Technology, also confirmed that the ''*MSP has been a good step in place for some time now but farmers usually get more through the market mechanism than the MSP*''.

Although we have been unable to obtain consistent primary quantitative data to allow comparison across our FT chains, interviewee 50 suggested that:

[19] Interviewees 48, 49, 50, 53, 55, 56, 58, 59, 62 and 68.

''*The MSP in 2014 was 40 INR per kg, whilst the MSP and market price have often been higher than the FT minimum price historically''*.

This has also been verified through IDS and University of Greenwich (2011), who mentioned that in the last two years the minimum support price (MSP) has been higher than the FT minimum price. Furthermore, the Fairtrade Foundation itself (2012; p.13) confirmed these findings by suggesting that the ''*FT Minimum Price has had less impact in India as market prices have generally been higher*''. In addition to this, interviewee 10-senior manager in the FT Foundation-praised the pricing role of the Government of India by characterising it ''instrumental''.

Nonetheless, the way that the MSP has been calculated and whether it covers the real cost of production incurred by farmers, was challenged. As such, interviewee 59-the head of a farmer association-told us that the MSP has been calculated on the basis of an average yield, so if the yield is lower MSP won't cover the real cost. He also added that the MSP doesn't cover financing costs or interest rate payments, which is a significant component of cotton farmers' dire financial situation. If we consider this in combination with the fact that the FT minimum price is usually lower that the MSP, we argue that when the farmers get the FT minimum price, it is also likely to be insufficient considering their real costs of production.

On top of this, FT's scale limitation was often highlighted even by Fairtrade India officials. For example, interviewee 67-FTI's manager-added that:

> ''*90,000 FT cotton farmers do not constitute a significant enough scale in order to be dealing with and be respected by the Indian government*''. To put this in perspective, Traidcraft (2009) mentioned there are 4 million farmers growing cotton in India, which means that FT farmers are only 2.25% of the total Indian cotton farmers.

Interviewee 50 has estimated this number to be even lower, at less than 1% of the Indian cotton farmers. Nonetheless, in a scenario whereby the FT minimum price would be higher than the MSP and market price, both estimates underpin the scale limitations and consequent limited impact of a voluntary and market-based mechanism like FT as opposed to a government one with universal scale.

2. **Administrative Control and subsidies** – In line with Chase-Dunn and Grimes's (1995) reference to the power of states over the life of its citizens, the Government of India, beyond the MSP, also undertakes various other activities in relation to cotton and textiles under an extensive array of administrative structures. One of the most important activities undertaken is subsidising

inputs, especially GM cotton variety. On the other hand, limited financing takes place in FT GVCs, with Chetna using part of FT premium to procure seeds and Agrocel providing interest free loans for inputs.

To this end, interviewee 49 and interviewee 52-the director of the Ministry of Agriculture: Department of Cooperation-highlighted the extensive bureaucracy, administrative structures and number of departments dealing with the cotton chain in India. As we have explained earlier, CCI is involved in the marketing of cotton, whilst undertaking MSP's operational management. They also undertake cotton exports to fulfill export quotas-interviewee 49. Also, the Ministry of Agriculture-Department of Cooperation is focusing on input subsidies and training by demonstration in relation to fertilisers and pesticides. To this end, interviewee 52 explained that government power is decentralised as each ministry have different responsibilities and remit which makes government coordination very difficult. Interviewees 55-the deputy director and senior scientific officer of the Institute for Rural Industrialisation-admitted the great administrative power and underlined the extensive decentralisation, whilst interviewee 49 and interviewee 68-the director of the Bombay Textiles Research Association-admitted the somehow inefficient bureaucracy and the lack of an overarching strategy and coordination. Lastly, the political nature of the crop was further highlighted by the interviewee 62- the president and owner of a vertically integrated manufacturer-who reminded us of the extensive prevalent corruption as ''*bureaucrats are appointed by politicians, thus most government programs end up in bureaucrats pockets instead of the farmers*''.

Building on this administrative structure and in relation to the activities undertaken, CCI also offers advice and communication to the farmers how to go about securing the best price through papers and other means of communication. They also undertake CSR activities related to inputs, however, he advised that these are only projects and limited to small scale-interviewee 49. But, perhaps, the most important activity undertaken other than the MSP, has been the financing of inputs. For example, interviewee 52 suggested they strive towards national security through subsidising inputs such as seeds, pesticides and irrigation devices. Most notably, interviewee 48 highlighted that state and national Government provide extensions like Bt variety. Bt cotton has had quite significant penetration in India now. Sadashivappa and Qaim (2011) informed us that Bt cotton is one of the first genetically modified (GM) crop technologies with wide distribution in developing countries like India. According to interviewee 48,*''Bt has been introduced and subsidised at great scale due to the goal of increasing productivity and improving yields. However,* *Bt is destroying the quality of the soil, whilst it cannot be re-used so it has to be bought every year*''.

Furthermore, farmers from the Maharashtra region we have interviewed informed us of subsidised fertilisers for farmers who have below 5 acres of land with those who are backward in the cast system getting more than others-interviewees 56. At the same time, interviewee 54-the CEO of a cotton FTO-told us that credit is available from government approved lenders as well as insurance for their crops, as we have mentioned in the previous chapter. Although, these are not available on national scale, they need to be further communicated. In this context, FT has been playing a limited role in relation to financing. Interviewee 51-a project manager from the Agrocel-M&S GVC-informed us that Agrocel provide interest-free credit for inputs and help farmers save water in case of bad weather that may affect their crop. Although we haven't been able to collect in-depth information from Chetna, we have learnt that part of the FT premium has previously been used to procure non-GM cotton seeds. Nonetheless, the scale issue of Agrocel and Chetna with only around 20,000 and 15,000 (Fairtrade Foundation, 2015) farmers was mentioned again.

6.3.2 National/International Government Role

Beyond the specific power that Indian Government departments exercise in relation to cotton and textiles, there are three key broader roles worth highlighting. The first one refers to the importance of cotton and textiles in the broader Indian economy and society and the second one is linked to the value-added strategies and policies. The third one addresses the international power play deriving from developed countries governments' protectionism articulated through cotton farmer subsidies. Similarly to the previous chapter, it's beyond FT's limited scale, nature and scope to intervene, influence or change these elements, that drive aspects of both FT chains. Having said that, it's important to outline them for this study as they describe the context within FT operates and underpin the existing power relations in the conventional GVC.

1. **Central to Indian economy and society –** Cotton and textiles are central to the Indian economy in variety of ways. The main reason derives from the fact that textiles are among the biggest foreign exchange earners for the Indian government, whilst adding significantly in terms of employment. The significance of this industry to the economy may also explain the extensive administrative control we described earlier as well as the significant power of the organised spinning sector, which we will often refer to during the course of the ensuing analysis.

For example, Devaraja (2011) stated that India is the world's second largest producer of textiles and garments after China. SSI (2014) suggested that in 2012 it was also the second largest producer of cotton with 23%, whilst China was first with 28%. India was also the second largest exporter of cotton with 24% after the USA that exported 26% of the global exports. At the same time, Dun & Bradstreet India (2006) mentioned that India is the largest exporter of yarn in the international market with a share of 25%. With regards to the Indian economy and society, the Indian textile industry is one the largest and oldest sectors in the country and among the mo stimportant in the economy in terms of output, investment and employment. It accounts for around 4% of Gross Domestic Product, 14% of industrial production, 9% of excise collections, and 18% of employment in the industrial sector. It's also employing nearly 35 million people and after agriculture, is the second highest employer in the country (ibid). Devaraja (2011) also referred to the fact that textiles and garments accounted for 18% of export earnings in 2009, whilst the Economic Services Group of the National Productivity Council (2010) provided a historic account of the share of the export earning in table 14 below. These figures clearly demonstrate the major foreign exchange earning power the industry has for the Indian Government, which may also justify the great administrative power and control we discussed earlier in relation to MSP and input subsidies in order to boost productivity.

Table 14: % Textile exports to total

Year	1998-99	2001-02	2004-05	2005-06	2006-07	2007-08
Textile Export Share	28.7%	24.6%	16.3%	17%	14.8%	15.1%

Source: National Productivity Council (2010)

Whilst the industry covers a wide range of activities including the production of natural raw materials such as cotton, jute, silk and wool, as well as synthetic filament and spun yarn (Devaraja, 2011), Dun & Bradstreet India (2006) added that cotton textiles form the predominant base of the Indian textile industry comprising 2/3 of total textile exports. The industry structure is fully vertically integrated across the value chain, extending from fibre to fabric to garments. At the same time, it is highly fragmented, comprising of small-scale and unorganised non-integrated spinning, weaving, finishing, and apparel-making enterprises. The organised mill sector consists of spinning mills involved only in spinning activities and composite mills undertaking spinning, weaving and processing activities under a single roof. The importance of the organised spinning sector has been emphasised by Devaraja (2011) who said that the Indian textile industry accounted for about 24% of the world's spindle capacity, making it the second highest after China.

2. **Value-Added** – In line with Wallerstein's (1995) position on the role of states in defending capital accumulation and monopolising capitalists against competition, the prominence and power of the organised Indian spinning sector has been facilitated by the policies of the Indian government. Whilst this came as a blow to the small-scale industry, it has also highlighted FT's limitations arising from the lack of any standards related to value-add.

To this end, Devaraja (2011) suggested that the power of the organised spinning sector has been partly driven or facilitated by the Indian Government's policies that involved liberalisation of trade and industrial delicensing in the 1990s. Although, initially, policies were drawn to provide employment with a clear focus on promoting the small-scale industry, this changed after 1995 with policies being designed to encourage investments in installing modern weaving machinery as well as gradually eliminating the pro-decentralised sector policy focus (Dun & Bradstreet India, 2006). This explicit centralised and value-added strategic approach towards the enhancement of the organised mill sector has been challenged by interviewees 55, who have called for a change in policy. Their aim has been to accelerate the process of rural industrialisation through downsizing value-adding technology and making it affordable. They told us that ''*unless politicians align with technology, India and the masses will not develop*'', whilst claiming that rural technology can bring self-sufficiency at village level in a piece-meal approach. This way, they have posed a legitimate challenge to the centralised top-down organised industry approach and government policy to adding value though a bottom-up decentralised alternative that was occurring until the mid-1990.

Whilst upgrading will be also further discussed later on a FT GVC level, the discussion above implicitly stressed FT's lack of focus on value added though technology and its sole orientation on unprocessed cotton seeds. As such, and despite the availability and low cost of technology to add value, interviewee 67-FTI's manager-was still reluctant on the basis of the investment and capability required. He argued that:

> ''*Value addition is difficult for some products because of the investment required and ability to manage, market it themselves and tailor it for the needs of certain customers (e.g. spinners)*''. This highlights that FT's mindset is oriented towards large scale forward integration, whilst there have been no consideration of small-scale technologies at village if not farmer level.

3. **Subsidies –** Beyond the national dimensions of power exercised by the nation state and the power relations that take place in-country, there is also a strong international power dimension. As such, in line with Wallerstein (1995) argument on sovereign states' protectionism as means to

defend capital accumulation from competition, subsidies by developed nations have contributed to an uneven playing field and have also led to FT's lack of success.

To this end, interviewee 13-an independent FT consultant-explained that whilst vertical power through value added is important, the international horizontal power dimension is equally, if not more, important. As such, she told us that there are two different markets which interact and compete against each other; the commercial farmers in the developed world (EU, US) who are heavily subsidised and the smallholders in the developing world. To justify, she mentioned that there are more brands compared to the chocolate industry, thus vertical power relations are more diffuse. Therefore, power struggle is also about state subsidies. To this end, she highlighted the paramount role of states when analysing the cotton value chains.

The Fairtrade Foundation (2010) acknowledged the importance of subsidies and mentioned that in the 10 years since the initiation of the Doha Development Round of world trade talks over $40bn has been allocated by the EU, US, China and India to a significantly lesser extent, to supporting their own cotton production. As we have seen earlier, the Indian government has been subsidising inputs to some extent and set the MSP, but the Fairtrade Foundation (2010) mentioned the average Indian government assistance per pound to its farmers was no more than $0.03 – 15 times less than in the US. Nonetheless, interviewee 13 argued that India is better off than other developing countries as it has a sizeable internal market that they can sell to. As a result, they will not be greatly uncompetitive due to the subsidies in the international market. She further argued that:

> ''*One of the main reasons of the FT and BCI's lack of success in India has been the already existing subsidies which support farmers at scale''*.

6.3.3 Farmer Organisation and empowerment

Despite FT's limitations in areas related to activities traditionally undertaken at scale by nation states, farmer organisation and empowerment has been noted as one of the areas that FT has the potential to make great difference. In the following paragraphs we will develop this through building on our feminist power analyses from chapter 2, whereby we outlined power seen as empowerment in the sense of a capacity or ability to empower or transform oneself and others. This has been however treated with significantly more caution in the Indian context compared to Ghana due to contract production[20]. In FT GVCs, this allows small producers who are not

[20] Contract production represents the partnership between a promoting body and a producer group. A producer group is a group of individual farmers, who are registered as members of the new producer

organised but gathered in informal structures, to have access to the market and to FT once they join a promoting organisation (exporter, processor, private company, NGO or others) to market their product. Therefore, farmer organisation and empowerment in FT GVCs depend on this additional power asymmetry between the promoting body and the farmers, in combination with the ability and willingness of the promoting organisation to help producers get organised and become autonomous, as verified by individually achieving the Small Producer Organisation (SPO) status by FT (Boscher et al., 2012). As such, in the following paragraphs we will develop this through building on the power analyses from chapter 2, whereby we outlined power seen as empowerment in the sense of a capacity or ability to empower or transform oneself and others. This takes place by focusing on power emerging through cooperation between the dominated (Temperley, 2013).

On this note, most of the interviewees, including farmers in Maharashtra, acknowledged the importance of farmer organisation. For example, interviewee 54 went as far as to suggest that ''*farmer organisation is more important than the MSP or the FT minimum price because of the power that allows them to negotiate better*''. Interviewee 48 added that this way farmers can achieve lower input costs though bulk buying, because when they are on their own they tend to do distressed sales. However, he also warned that given their dire situation, farmers would prefer money over political organisation. Similarly, interviewee 25-ex-Oxfam manager involved in FT- told us that ''*farmers like solidarity but they focus on having something to eat*''. He further claimed that farmers were leaving organic farming as it wasn't viable financially and they will leave FT too if it doesn't give them money.

Nonetheless, farmers emphasised that farmer organisation is more important than economic incentives. Farmers from interviewee group 56 argued that when there is no rain and crop isn't good, whilst they have already borrowed money at high rate, they won't eventually be able to pay. Hence, the lenders will take their land. But, if they are part of an association, the association will negotiate with the bank and make sure their voice counts. Otherwise, banks tend to take over their land in individual farmer cases.

---

organisation. At the start of the project the producer organisation does not need to have a legal status, but must have defined democratic structures. The promoting body must organise the producer group in a way that enables the producer organisation to gain autonomy and individual Fairtrade certification against the Generic Fairtrade Standard for Small Producer Organisations (SPO) in a realistic period of time (FloCert, 2014).

1. **Conventional Chain Empowerment –** As we have already discussed earlier in this key theme, it appears that the Government of India, foreign governments and the organised composite mills are well organised and have great power through utilising various mechanisms such as value added, pricing, subsidies and administrative structures. On the other hand, farmers in the conventional chain are highly disempowered due to their smallholding, geographical distribution, commitment, the fact that they are operating in a ‘‘buyer-driven’’ chain, and the limited help they receive from the government.

To illustrate, interviewee 25 and interviewee 48 suggested there is great lack of farmer organisation in India and cotton farmers are incredibly disempowered. In order to justify the situation though, our interviewees focused on different generating mechanisms. For example, interviewee 49-the deputy general manager of the Cotton Corporation of India-advanced smallholding as the main deterrent for allowing political organisation of farmers. This is because smallholding does not generate sufficient cash to allow for better farming practices and organisation. Interviewee 9-the CEO of a cotton sustainability consulting firm-focused on the impracticalities and cost to organise farmers into groups because of the various geographic locations farmers are concentrated in India, whilst interviewee 48 noted the lack of farmer commitment to use their land to cotton only purposes.

The Fairtrade Foundation attributed the lack of farmer organisation to structural reasons. For example, interviewee 10-senior manager in the FT Foundation-suggested that ‘‘*farmers are in a heavily disadvantaged position as they are price-takers, not price-makers*’’. On this note, interviewee 49 suggested the relationship between farmers and buyers is highly transactional and reflects the price which prevails in the market. In the meantime, interviewee 52 added that the Government tries to help increase farmers power indirectly through training to improve quality and increase production through subsided inputs.

2. **Chetna Organic-No Nasties FT GVC Empowerment –** In contrast to the lack of empowerment and farmer organisation in the conventional GVC, the Chetna Organic-No Nasties GVC has demonstrated great practice in terms of farmer organisation and empowerment. The key elements related to their approach to empowerment have been: a. farmer ownership, technical capability, democratic governance and bottom-up approach, and women empowerment. To elaborate, the key ingredients of this success relating to empowerment that were often mentioned are included in table 15 below.

Table 15: Chetna Organic-No Nasties FT GVC Empowerment Dimensions

Dimension	Description
Farmer Ownership	Chetna Organic's manager pointed that Chetna Organic has a multi-tiered structure owned wholly by the small and marginal farmers at all levels, who almost all of them (94%) own below 2 hectares of land. In their structure, small and marginal farmers who form the base of their model are organised in 979 Self-Help Groups (SHGs). These SHGs are legally grouped in 13 cooperatives and the board members from each of these cooperatives, as we mentioned earlier, form the board of Chetna Organic Farmers Association (COFA) and Chetna Organic Agricultural Producer Company Limited (COAPCL) (Lahankar 2014).. Fairtrade Foundation (2013) added that these two organisations operate at national level.
Technical capabilities	Technical support is provided from technical teams that exist in cooperatives and in COFA, whilst several cooperatives manage funds from contributions of the members and part of the FT premium to finance the production and the purchase of seeds (Boscher et al., 2012). As such, interviewee 63-the CEO of FT India-added that ''*Chetna raises awareness in a sense that the farmers can enter discussion with operators collectively and get better results, which are translated in better economics in terms of cost of inputs and use of FT premium*''.
Democratic governance & bottom-up approach	Elections are taking place in order to elect the Board members of cooperatives, and as we have mentioned earlier, there is an appointment of a member of the Board of every cooperative in the Board of COFA and of the COAPCL. As such, and on the back of farmer ownership, farmers have a direct role in decision making during production and marketing processes, as well as during the distribution and allocation of the premium (Fairtrade Foundation, 2015). Interviewee 67-FTI's manager-confirmed that ''*farmers are more empowered in the production, marketing and FT premium stage*''. As a result, the FT premium is distributed by the COAPCL according to criteria voted in BD not to exclude cooperatives with small volumes, whilst the repartition of the premium is decided by cooperatives in a democratic way. (Boscher et al., 2012).
Women empowerment	FT in Chetna-No Nasties GVC has been instrumental in facilitating women empowerment. As such, Boscher et al. (2012) highlighted that of the 10,000 producers involved in the project, 30% of them are women. In particular, at cooperative level, participation of women sometimes reaches 50 % of the members.

Source: Author

As a result, whilst Chetna Organic was initially under FT's contract production in 2005, by 2009 Chetna Organic Farmers Association (COFA) has evolved into an autonomous Small Producer

Organisation (SPO) and gained individual FT certification according to SPO Standards. This outcome has urged interviewee 66-the CEO of No Nasties-to emphasise that ''*the main motivation for working with Chetna has been their developmental and sustainable farming focus*''. On this note, interviewee 20-a research officer from IDS-confirmed that ''*Chetna are more development oriented than the typical contract production organisation*'', which we will examine below.

3. **Agrocel-M&S FT GVC Empowerment –** In contrast to Chetna's case, Agrocel have received extensive criticism in relation to their impact on genuine farmer empowerment. This has come despite formally establishing Agrocel Pure & Fair Cotton Growers' Association (APFCGA), increasing membership and running formal democratic processes. To this end, criticism derived from the lack of full representation, capacity to represent farmers, limited women empowerment and minimal input on production and marketing decisions, due to their reliance on Agrocel Industries. This has been ''nurtured'' by the contract production framework itself as well as Agrocel's profit orientation that prevents farmers from becoming independent and gaining individual FT certification, like COFA above.

In order to put this into context, the Fairtrade Foundation (2013) informed us that informal groups like the Agrocel cotton farmers have been able to join Fairtrade under the Contract Production Standards since they are contracted to a Promoting Body such as Agrocel Industries which is committed to mentoring the development of their organisation into an autonomous Fairtrade partner and to undertaking functions such as marketing and export on behalf of the producers. For the Agrocel farmers this means that with support and business training provided by Agrocel Industries, they have the potential to develop into a strong and independent organisation capable of dealing directly with international buyers. Whilst there are five Fairtrade certified organic cotton farmers' groups, Agrocel Pure & Fair Cotton Growers' Association from Rapar in Gujarat was one of the earliest participants. With guidance from Agrocel, this previously unorganised group of 50 farmers was formalised into a legal entity in 2005.

IDS and University of Greenwich (2011) confirmed that organisational development has been significant with Agrocel Industries helping to formally establish Agrocel Pure & Fair Cotton Growers' Association (APFCGA), whilst membership has grown from 50 in 2005, to 1930 in 2009. On the same note, interviewee 51-a project manager from the Agrocel-M&S GVC-claimed that APFCGA is an independent, registered organisation with democratically elected leaders, whilst Agrocel Industries help them with advice and technical implementation (certification support and legal activities) in order to run independently. Lastly, he reminded us that farmers are members of Agrocel Industries' board, hence they decide what to do with the FT premiums as well as making decisions regarding inputs and who to sell to.

Nonetheless, IDS and University of Greenwich (2011) presented a different reality through their fieldwork. To this end, they argued that APFCGA is still some way from becoming an independent and fully democratic organisation. There have been some ongoing changes in governance to ensure all villages are represented, whilst the producer group is still fairly weak in being able to represent members in negotiations with Agrocel let alone in wider fora. It's also heavily reliant on Agrocel Industries for many of the necessary services like inputs, ginning and export, whilst they indicated that they do not think the farmer organisation could operate independently in the near future. Furthermore, interviewee 67 suggested that:

> ''*Farmers are more dependent on Agrocel model as they have only recently organised and make decisions around use of FT premium but they have less/no input on production and marketing as Agrocel does this for them*''.

The lack of independence was also attributed to the fact that Agrocel Industries, unlike Chetna Organic's non-profit motivation and farmer ownership, are profit-oriented and they are not owned by farmers-interviewee 66.

Other interviewees attributed the lack of independence to the contract production model itself, which creates an asymmetrical power relationship between farmers and the promoting body. For example, interviewee 63 framed the argument by explaining that whilst Chetna is clearly a small producer organisation model through their independence, Agrocel remained under the contract production model, which is restrictive for farmers' autonomy. Although interviewee 10-senior manager in FT Foundation-justified the certification of contract production and not cooperatives on the basis that it would take long time to set up cooperatives and with the promise to turn them into cooperatives in the future, the Fairtrade Foundation (2012) has admitted that FT has not been able to reduce high levels of dependence that producer organisations have on the promoting body.

> Interviewee 54 highlighted that ''*contract production holds all the power away from farmers as farmers are deprived of their choice*''. On the same note, interviewee 20-a research officer from IDS-told as that the contract production model has lots of weaknesses and ''*relationships are set up to maintain producers to be dependent on them*''. Interviewee 48 agreed that this is the

case since ''*contract farming is top-down and took the freedom away from farmers in terms of choosing the most profitable variety for them but also choosing who to sell their cotton to*''.

The choices have been made by the promoting body who in turn has been following the quality parameters of the spinners. For example, the varieties selected for the type of quality the spinners are after may not necessarily be the most profitable for the farmers.

Beyond contract farming's weaknesses, in terms of women empowerment in this GVC, women represent just 4% of APFCGA members and this hasn't changed since the association was formed, whilst at gender power relations-level there was no change as men take all decisions about farm-related operations and women follow their instructions. In fact, there were examples of exclusion noted in terms of who can be a member of the APFCGA, since only those with land titles can be members and this excludes many women from membership as they are less likely to hold titles to land.

4. **Limitations –** Despite the vast differences in contract production and the small producer organisation model as practiced by Agrocel and Chetna respectively, there are limitations for both chains. The first one is related to scale. According to Fairtrade Foundation (2015), Chetna Organic is supporting 15,000 (234 in 2004) cotton farmers. At the same time, Agrocel Pure & Fair Cotton Growers' Association is a group of 1,930 farmers, whilst Agrocel Industries works with more than 20,000 farmers across India. And, although the success of the group has enabled them to extend membership to farmers in neighbouring Surendranagar district, the overall numbers of FT farmers through both Chetna and Agrocel represents less than 0.5% of the overall cotton farming population in India, when considering there are 4 million cotton farmers in India, according to Traidcraft (2009).

As we have previously mentioned in the description of the chains, the low number explains not only FT's niche character and limited potential to effect change at scale through empowering farmers, but also the fact that around 6 out of 10 of our interviewees in the field in India haven't even heard of FT cotton.

Beyond these two FT GVCs under examination, interviewee 54 further highlighted that except for these two chains, the rest FT farmers in India are under the contract production model, which as we have seen does not allow for true empowerment, farmer organisation and consequent shift of power to take place. Similarly, he highlighted that for proper organisation to take place sustainably, extensive resources will be required for a long period of time in terms of money and time, which are often not available from either commercial organisations like M&S or smaller FTOs. Hence, the farmers will have to rely on spinners, who often approach the relationships in a commoditised manner, or the INGOs like GIZ and Helvetas, who are in better place to help them organise, but still need to be funded by a third party.

6.3.4 Conclusion

The main argument in this key theme was founded on Wallerstein's position (1995) around the role of states in defending capital accumulation. This was demonstrated by the Indian Government's provision of MSP that offered a ''safety net'' for the farmers in case the price offered by the local traders was lower than the MSP. In this context, the FT minimum price was deemed irrelevant as market prices and the MSP have been consistently higher. As well as FT's minimum price being irrelevant, FT's scale limitations were obvious as FT farmers comprise only 2.25% of the total Indian cotton farmers. Beyond the MSP, the Government of India has also marginalised FT further through subsidising inputs and having an extensive array of administrative structures, whilst limited financing takes place in FT GVCs, with Chetna using part of FT premium to procure seeds and Agrocel providing interest free loans for inputs.

The vast array of administrative structures may be explained on the basis that textiles is among the biggest foreign exchange earners for the Indian government, whilst adding significantly in terms of employment. This has been accompanied by the prominence and power of the organised spinning sector, which has been facilitated by the value-add policies of the Indian government. Whilst this came as a blow to the small-scale industry, it has also highlighted FT's limitations arising from the lack of any standards related to value-add. But, beyond the national dimensions of power exercised by the nation state and the power relations that take place in-country, there is also a strong international power dimension, which is illustrated through the subsidies by developed nations that have contributed to an uneven playing field and to FT's lack of success in India.

In this context, which describes the power relations prevalent in the conventional GVC from the political angle, farmer organisation and empowerment has been noted as one of the areas that FT has the potential to make great difference. This was however manifested in different ways in the two FT GVCs and it was also treated with more caution due to contract production. To this end, the Chetna Organic-No Nasties GVC has demonstrated great practice in terms of farmer organisation and empowerment, as demonstrated by farmer ownership, technical capability, democratic governance, bottom-up approach and women empowerment. This has ultimately resulted in COFA’s evolvement into an autonomous SPO.

In contrast, Agrocel have received extensive criticism in relation to their impact on genuine farmer empowerment, due to the lack of full representation, capacity to represent farmers, limited women empowerment and minimal input on production and marketing decisions, due to their reliance on Agrocel Industries. This has been ‘‘nurtured’’ by the contract production framework itself as well as Agrocel’s profit orientation. But, despite the differences between the two FT GVCs, the common limitations include limited financing and their limited scale, which reaches less than 0.5% of the overall cotton farming population in India.

6.4 ''BUYER-DRIVEN'' POWER STRUCTURE

The argument in this section builds on the basis of Gereffi's (1994; p.215) definition of governance in chapter 2 as the ''*authority and power relationships that determine how financial, material and human resources are allocated and flow within a chain*''. To this end, and in what we earlier referred to as ''governance as power'', Gereffi (1994) and Gereffi and Fernandez-Stark (2011) stated two distinct governance structures described as "buyer-driven" or "producer-driven" chains.

Similarly to the previous chapter and according to what we have also mentioned in chapter 2, the cotton value chain is ''buyer-driven'' as well (Gibbon, 2004). Hutson et al. (2005) agreed and highlighted that there has been a shift in power from textile manufacturers into the hands of retailers (including department stores, specialty retailers like The Gap, and large discount chains such as Wal-Mart and Target) and branded marketers (including Nike). As we will see later, this has been confirmed during our interviews, as the lead buyers were often cited to be the big retailers/brands, like M&S, and the vertically integrated manufacturers, like Alok and various others based in India. Therefore, below, we examine the power of these lead buyers as articulated and defined by our interviewees, in relation to FT's ''mainstreaming'' approach we examined in chapter 2 that involved working with TNCs within the system instead of operating an alternative trading system.

In light of this, in the following pages we explore the most often cited power mechanisms in relation to FT. These are customer demand, quality, profitability, purchasing power and value added. Within customer demand, we examine the prominent role that was attributed to the FT mark along with the positioning in the chain related to demand and the demand itself. Following this, we look closely at the key role that quality has in driving demand, hence we examine the quality requirements that lead buyers advance, through which they control their chains. We also examine the role of FT in product and process quality through traceability.

In turn, we are investigating the role of profitability, which has been a key concern as FT participants have utilised FT as a tool to profiteer rather than to allow shift of power and distribution of benefits to cotton farmers. But, whilst the previous power mechanisms are important, they have been underpinned and shaped by the sheer purchasing power of the lead buyers as well as the high value-adding activities that take place in India.

6.4.1 DEMAND

On the basis that cotton is a typical ''buyer-driven'' value chain, customer demand is the most important driver and power dynamic. Therefore, power lies with buyers and their demand. In turn, buyers' demand is driven by consumer demand, which is a key element on what FT's approach is premised on. This is in line with what was earlier mentioned in chapter 2 from Humphrey and Schmitz (2001), who explained that governance has to do with the exercise of control along the chain in relation to how much needs to be produced.

1. **FT Mark & Standards** – Similarly to the previous chapter, the FT mark is the manifestation of power exercised by FTI and the FT Foundation, as demonstrated through the associated customer recognition and demand translated into purchasing. But, whilst FT heavily relies on the customer demand this label generates, the implementation of the associated standards that go with the same label has been different across the two FT GVCs. Although, in line with their ''mainstreaming'' approach, FT has launched the Fairtrade Cotton Programme label to firstly address reduced sales and then this concern, it's too early to say whether this will substantially change customers' understanding between the two labels.

To this end, we have previously illustrated that the FT label is highly recognisable and trusted in the UK with 96% and 89% respectively (FTI, 2013). However, contrary to FT chocolate in the previous chapter, this has not been translated into sales throughout the lifecycle of FT cotton. According to table 3 we saw earlier in chapter 4, in 2012 FT cotton sales have contracted by 3.5% over 2011 and by 50% since their peak in 2008. The value of the FT mark has been acknowledged by interviewee 6-sustainable materials specialist for a major retailer-who told us that:

> ''*The FT mark is highly recognisable by consumers and is driving demand because of its great story and narrative*''.

Hence, this very fact in itself was sufficient for them in order not to pull out from purchasing FT cotton completely. So, although he expressed some concerns about FT overall, the FT mark's value as a marketing tool remained unquestioned.

But, whilst the FT mark is the main mechanism driving consumer demand, FTI and the FT Foundation in the UK also exercise their power through a set of principles and standards we outlined earlier in our theory. As we have explained in the previous chapter and as we have started to explore in the ''political crop'' key theme in the current chapter, although the FT label on M&S's and No Nasties t-shirt is the same and consumers may recognise and buy on the basis that these two different products and brands carry the same qualities and values as articulated by FT and its communication to consumers, this is simply not the case. This is because the implementation of some of the FT standards, like farmer organisation and empowerment, has been different in the Chetna-No Nasties GVC compared to the Agrocel-M&S GVC. Although, this has been anticipated to some extent due to the difference in SPO and contract production standards we have explained, No Nasties and M&S are still carrying the same FT mark and, most importantly, consumers buy them thinking they are equally impactful and beneficial for cotton farmers. We will examine more of these differences in implementation as we progress in this and the next key theme. Nonetheless, the issues with carrying the same label have recently been addressed, as we saw in the sustainability key theme, with the introduction of the Fairtrade Cotton Programme label. However, as we saw earlier from table 12, the extent to which consumers will be able to differentiate between the two and understand the variance in the implementation of FT standards down the chain is still questionable.

2. **Consumer Demand & Positioning –** Although the FT mark comprises an important power mechanism in relation to driving demand, it is the consumers who ultimately decide to buy FT labeled garments. To this end, global demand for FT cotton has dropped by 65% between 2008 and 2012, whilst the situation in India hasn't changed in 2013 and 2014. The lack of buyer and consumer demand has been manifested down the chain, whereby only 36% of the FT cotton produced was sold in FT terms. This showcases the niche character of FT cotton that relies on unpredictable buyer demand driven by fashion and lack of sustainable buyer commitment, which ultimately adversely impacts the overall profit of farmers and their cooperative. In light of this, it has been established that it's paramount to be close to consumer demand and influence purchasing decisions through marketing and branding which deliver the greatest profit in the chain, whilst allowing control down the chain.

To this end, as per SSI (2014) in figure 23 below, we need to note that overall FT cotton demand and consequently production have dropped significantly in 2009-2012. According to this, between 2009 and 2012, FT cotton production has dropped by 58% and FT sales by 65%. We will examine the root causes in detail as we progress in the profitability section later, but at high level, according to IDS and University of Greenwich (2011), this has been attributed to the FT premium for FT cotton sold. The drop in production and sales has further been confirmed for 2013 and 2014 by interviewee 70-sustainability assistant manager in a FT vertically integrated manufacturer-who mentioned that:

> ''*Demand for FT has declined over the past two years*''. In parallel, interviewees 65-the managing Director and senior vice president of marketing of a vertically integrated

manufacturer-who have been involved in FT since its launch, noted that there was no demand in 2014 from their buyers, whilst in 2006, they sold 20-25% of their entire volume in FT terms.

Beyond this, figure 23 also demonstrates that not all the FT certified cotton produced ends up being sold in FT terms. So, whilst only 43% of the FT certified cotton was sold in FT terms in 2009, this percentage further dropped to 36% in 2012. To this end, at FT GVC level, interviewee 69-project manager from the Agrocel-M&S GVC-informed us that:

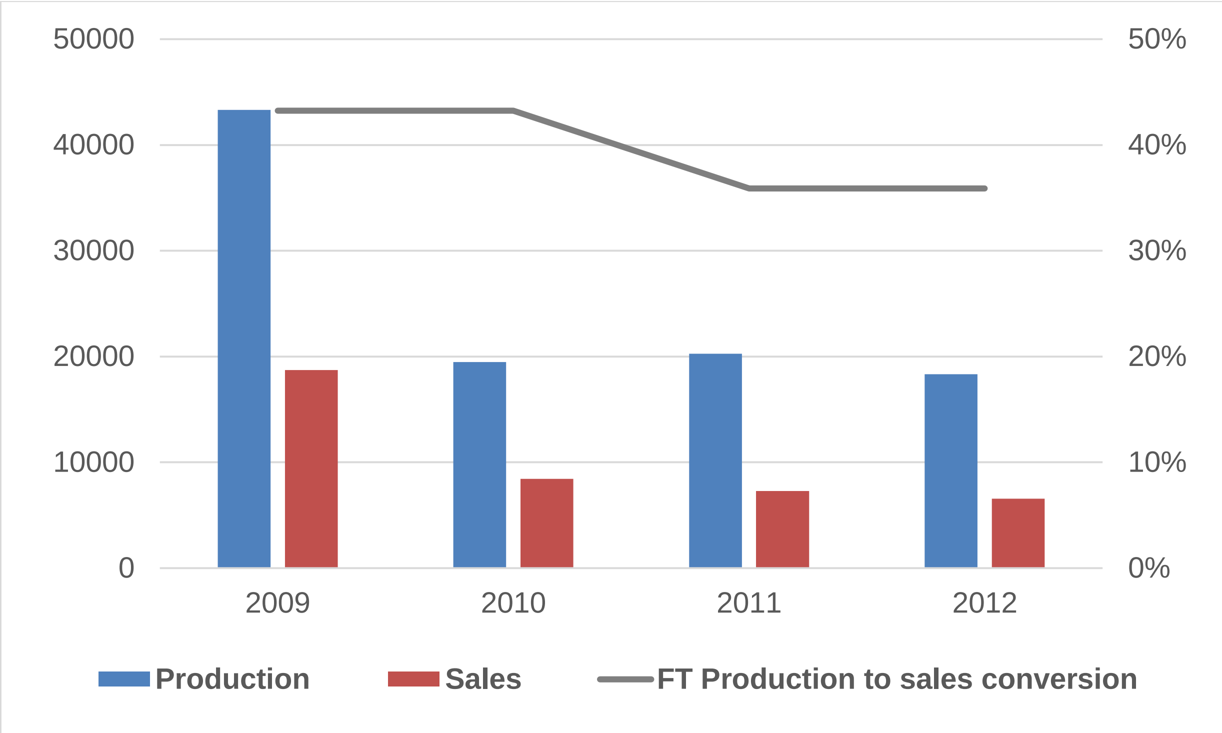
''*Only 40-50% of the cotton produced in FT terms in Gujarat has been sold in FT terms*''. Similarly, Chetna's manager mentioned that ''*only 30-35% of their cotton was sold in Organic Fairtrade markets and the rest was sold in the conventional market (Lahankar 2014)*''.

This demonstrates a serious limitation of FT cotton, which hinges on its limited consumer uptake. In terms of the impact of this at farmer level, interviewee 25-ex-Oxfam manager involved in FT-explained that ''*how much the farmer benefits from a cooperative depends on how much the cooperative buys from the farmer, which in turn depends on consumer demand*''. Therefore, the lack of demand, as articulated by the FT production to sales ratio in figure 23 below, means that organisations like Agrocel and Chetna down the chain cannot sell all of the cotton they certified in FT terms. So, although they have already incurred the cost of certification we have explained in the sustainability key theme, they may have not been able to receive sufficient returns in order to recoup it.

Although the absolute scale of demand is important, its sustainable nature is equally, if not, more important. To this end, interviewee 13-an independent FT consultant-referred to the inevitably short term nature of any cotton-garment GVC and volatile demand driven by the fickle, unstable and unpredictable nature of fashion. As a result, cotton farmers may make money one year and not much the year after. Others though, like interviewee 67-FTI's manager-focused on the lack of commitment from conventional players, like M&S.

''*M&S have largely shifted to BCI cotton, which has resulted in a fluctuation of demand for FT cotton that has ultimately affected the FT farmers. As such, FT cotton farmers who have previously used the FT premium to build a school, now this meant that they had no resources to carry on operating the school. This is due to the lack of commitment and sustainable demand from big brands*''. On the other hand, he argued that FTOs like No Nasties and Pants for Poverty, who buy from Chetna are having more of a sustainable impact (but at much smaller scale) compared to M&S whose impact has been one-off.

Figure 23: FT Global Cotton Production and Sales (tonnes) during 2009-2012



Source: Adapted from SSI (2014)

The previous discussion indicates that positioning in the chain in relation to demand and the consumers plays a significant role for the power exercised to other participants of the chain. As such, similarly to the previous chapter, interviewee 68-the Director of the Bombay Textiles Research Association-told us that proximity to consumer demand is paramount. This is illustrated from the fact that ''*retailers/brands dictate the activity down the chain on the basis of consumer demand in a typical buyer-driven chain whereby customer is the king*''. Interviewee 6 confided that once he transitioned from a major retailer in order to work for a vertically integrated manufacturer, but he quickly understood that the retailer's positioning closer to consumer demand has been driving everything down the chain, therefore he decided to return to the major retailer. UNIDO (2003) explained that companies that develop and sell brand-named products close to demand have considerable control over how, when and where manufacturing will take place, and how much profit accrues at each stage. In order to achieve profitability, retailers and brands focus on the high-value design, marketing, retail and sales ends of the value chain.

In light of the importance of the marketing end of the chain, interviewees 65, who run a vertically integrated manufacturer who M&S bought FT garments from, suggested that M&S have significantly pushed FT in its early days though extensive advertising and communication budget.

Although, this hasn't been fully successful-for reasons we will examine later in detail-if we consider the quotes earlier about current demand, it does highlight the difference in the two FT GVCs chains, as No Nasties are very small and do not have the luxury to spend this amount of money in advertising, according to interviewee 66-CEO of No Nasties.

6.4.2 QUALITY

Whilst demand is a significant power mechanism, it's important to understand that quality is also important as it often determines demand and the price. As such, in line with Humphrey and Schmitz (2001) who earlier asserted that governance involves the exercise of control along the chain on quality specifications, retailers/brands exercise their power on the vertically integrated manufacturers on the basis of their quality specifications. Following this, the vertically integrated manufacturers or composite mills attempt to source the right quality of cotton from ginners through five key quality parameters of cotton. But, whilst FT doesn't play a role in product quality, they have previously been involved in process quality through traceability, which has been abandoned through the Fairtrade Cotton Programme in order to increase FT cotton sales. Whilst this has not been successful enough to entice greater volumes from big retailers like M&S, FT's process quality element (traceability) was replaced by M&S Plan A's sustainability strategy which includes several process quality dimensions.

As such, starting from the top of the chain, interviewee 10-senior manager in the FT Foundation-told us that:

> ''*Retailers/brands in the UK exercise their power on vertically integrated manufacturers in India through the articulation of a set of quality parameters''*.

Interviewee 61-quality assurance manager of a vertically integrated manufacturer-elaborated that retailers/brands in the UK set their fabric requirements directly, via an agent or through a wholesaler/importer. These usually are: a. Blend – percentage of cotton and polyester, b. Technical parameters – for example, ''20s'', which is thicker and can be used for jeans, or ''28s'' which is finer yarn used for shirts. They also provide various parameters in relation to variation of diameter, strength and twist, c. Colour. Although the power balance in relation to quality is usually top-down, from the retailer/brand to the vertically integrated manufacturer, interviewee 64-general manager of a vertically integrated manufacturer-informed us that niche products could provide vertically integrated manufactures with more power in this relationship. For example, a special cut of jeans do that is hard to be copied by other manufacturers and is high in demand is currently providing them with a better bargaining position against the retailers/brands.

In turn, the vertically integrated manufacturers or composite mills, try to respond to the stringent quality requirements of the retailers/brands through sourcing the right quality from ginners at the best price possible. Interviewee 50-CEO of a major cotton seed trader-told us that they buy on the basis of quality and price with 90% of the decision based on quality and 10% on price, as quality largely determines price. Having said that, interview 48-the head of the central institute for research on cotton technology and interviewee 61 argued that prices rise if demand is high and then quality takes a back seat. On this note, they explained that quality depends on the time of the year. Hence, the first and second picks are better than the third and fourth, although they need to consider that in the beginning of the season length is great but moisture content is high so they may buy more water than cotton. The difference in these quality features will ultimately justify the price differentials. They then listed their 5 key quality parameters: 1. Length, 2. Uniformity ratio, 3. Strength, 4. Microfiness, 5. Trash[21]. So, after ginning they assess these 5 properties and pay ginners accordingly. Interviewee 53 warned that ginners often add moisture content so they can sell at higher price. We will explain the rationale behind this later, but this often results in consumers paying higher price albeit at lower quality. We should also note that quality agencies are often involved in this process through determining quality and consequently price for their clients who are ginners and traders-interviewee 50.

In this context and as discussed in the previous chapter, beyond the product quality element in which FT cotton doesn't have a role, FT has previously focused on process quality through traceability. However, as we discussed in the sustainability key theme, FTI have shifted to mass balance through the recently launched Fairtrade Cotton Programme, which mainly reflected the commercial organisations feedback on traceability's high cost and extensive time consumed. On this basis, FTI removed this barrier to enable sales through allowing mixing FT cotton with conventional cotton as needed. Although, FTI have also set up and differentiated this model from the original model which reflects organisations who are 100% FT across the chain, interviewee 1-director of policy from a FTO-mentioned that:

> ''*The abandonment of traceability signifies an important shift that, similarly to cocoa's case, breaks the physical link between consumers and farmers*''.

Despite this shift to facilitate scale purchasing from organisations like M&S, we should note that according to interviewee 6, M&S limited their purchasing of FT cotton to just 10-15% of their total

[21] Trash is a measure of the amount of non-lint materials in cotton, such as leaf and bark from the cotton plant-interviewee 61.

sustainable sourced volume whilst maintaining a process quality dimension on top of the product quality dimensions we mentioned earlier. This process quality dimension goes ‘‘beyond FT’’ and is part of the overarching sustainability strategy we described earlier, which involves a plan to convert all cotton products to be sourced from sustainable sources such as FT (15%), BCI (75%), recycled (5%) and organic (5%). This sustainability strategy is managed by a range of KPIs including metrics around fibre, manufacturing way and the process the garment has been dyed.

6.4.3 PROFITABILITY

We have already touched upon profitability indirectly through TNCs feedback on the traceability standard due to its high cost. Similarly to the previous chapter, this argument on profitability builds on the basis of FT’s decision to ‘‘go mainstream’’ and work with TNCs in the existing international trading system on the back of FTI’s licensee-based business model. As a result, whilst spinners and vertically integrated manufacturers exercise profitability through lobbying and holding stocks, they have also used FT as a mechanism to increase their profits through excessive price mark-ups. On a similar note, brands have utilised their pricing and branding in combination with FT. In this context, FTI have no control whatsoever over pricing and commercial decisions of the participating companies, who only participate in FT on the basis of their ability to make money on the back of it. Whilst this is the case for conventional TNCs participating in FT, the Chetna-No Nasties GVC is nowhere near gaining market share from retailer like M&S or shifting the power balance, because of their size.

To this end, and in light of the difference between profit and profitability we explained in the previous chapter, interviewee 62-the president and owner of a vertically integrated manufacturer- and interviewee 49-deputy general manager of CCI-attempted to give an indication of profit margins. Although, they were not able to quantify or explain the retailers/brands or the vertically integrated manufacturers margins, interviewee 62 confirmed that the margins of traders and manufacturers are significantly higher than the farmers’, whilst interviewee 49 added that retailers/brand are more profitable compared to vertically integrated manufacturers.

But, besides comparing the profit margins of the lead buyers in the chain, our interviewees attempted to explain how they actually achieve it. For example, interviewee 68-the director of the Bombay Textiles Research Association-suggested that spinners, who are often part of vertically integrated manufacturers, strive for profitability in three ways. On the cost side, when they purchase from the market, they hold cotton stocks to manipulate and reduce price to the disadvantage of farmers. As we have explained in the ‘‘political crop’’ key theme earlier, they also leverage the importance they have in the Indian economy in order to lobby the Indian Government through their organised association in order to get cotton at the lowest possible price so they can compete with Pakistan. On the revenue side, interviewee 67 advised that spinners have a sustainability attribute to their overall offering if they are involved in FT:

> ''*Since they are like a shop, they need to offer as many products as possible (including FT) in order to deliver more revenue*''.

On the same note, retailers/brands capitalise on their position near to consumer demand and exercise their profitability on the back of their pricing. To illustrate, interviewee 34-founder of a cotton FTO-and interviewee 25-ex-Oxfam manager involved in FT-told us that:

> ''*Retailers don't even know about cotton, yarn and fabric. Instead, they just want to know how much the t-shirt costs, so they see whether it fits within their profit margins*''.

In this context, FT has done very little to curb the profitability of the key buyers and achieve redistribution of the benefits to the farmers. In fact, it has achieved exactly the opposite. Numerous interviewees[22] highlighted the profiteering that goes on in the middle of the chain on the back of FT, which ultimately ends up in the increased price of the end product, which explains the reduced retail demand for FT cotton certified products we have examined earlier. Interviewee 62, the president and owner of a vertically integrated manufacturer, quantified the scale of profiteering by saying ''*it can be can be 2-3 times more expensive by the time it gets to the consumer*''. A more conservative estimate was provided by interviewees 65-the managing director and senior vice president of marketing of a vertically integrated manufacturer-who have been involved in FT cotton since its launch. They claimed that:

> ''*Consumers are sometimes paying 30% more for the price of a garment due to the price compounding when FT is involved*''.

This has been verified by IDS and University of Greenwich (2011), who suggested that retail mark-ups on prices of Fairtrade cotton items are generally about 20–40%, but occasionally up to 100%. Whilst interviewees 63 and 67 from FTI admitted that price compounding has been a major concern, a few interviewees[23] suggested that the main culprits are spinners or vertically integrated manufacturers, as well as the promoting bodies and ginners who profiteer as well.

[22] Interviewees 50, 51, 54, 63, 65, 67 and 69.
[23] Interviewees 50, 51, 54, 65 and 69.

> ''*The way they profiteer is through adding a markup on top of the total price of seed cotton/lint/yarn/garment and FT premium depending if it's the promoting body, ginner, spinner, and manufacturer*''.

Therefore, although the FT premium is only 8% of the cotton price and 15% of garments price according to interviewees 65, interviewee 50 told us there is 25% price difference between conventional cotton seed and FT and goes up to 40% as you progress with processing. Hence, it appears that the mark up is between 15-17% on top of the total price of seed cotton/lint/yarn/garment and FT premium during each of these two stages.

FT price compounding at every stage of an extensive chain has been the main reason why M&S and other retailers/brand would try and source FT garments from vertically integrated manufacturers who have control down the chain, according to interviewees 65. Despite the lack of granular data in Chetna's end of the chain, the CEO of No Nasties told us that they have lost touch with the ground level due to scale, hence the purely rely on FT certification. On the other hand, interviewee 51-a project manager from the Agrocel-M&S GVC-claimed that ''*FT has helped educate spinners and garment manufacturers and argued that in order for power shift to take place, the FT mark ups should only cover their costs without adding extortionate margins, whilst farmers should get their equal share*''. Despite this, after a long discussion, he admitted that promoting bodies like Agrocel Industries also add a mark-up of 5-7% when they sell to spinners.

On the back of the widespread phenomenon of price compounding, interviewees 63 and 67 expressed hopes that the Fairtrade Cotton Programme, we referred to earlier, will mitigate this problem. Nevertheless, they also highlighted that

> ''*FTI have no control whatsoever over pricing and commercial decisions of the participating organisations*''. FT's lack of control has become apparent to us when interviewees 65 told us that when the retailer/brand were not able to sell their FT garments in the past, they asked them to mix conventional and FT so that the price could go down and allow consumer demand to pick up.

This has been undertaken since the basic raw material is the same and despite FT's previous traceability requirements and audits. When questioned about this, interviewees 63 and 67 from FTI told us that they were not aware. On the other hand, interviewee 50 told us he would not receive the FT premium if he blended FT with conventional. Therefore, it appears this has not been a widespread practice. Nonetheless, striving for profit has definitely been a widespread practice that has only intensified through the use of FT, which has been approached as a tool to provide more profit rather than a tool that would shift the balance of power and curb the profitability of lead buyers. To this end, interviewee 50 argued that:

> ''*FT does not shift the power balance in India as the spinners get way more than the farmers*'', *whilst FT has a long way to go to change this. In Turkey for example, farmers get more and spinners get less*''. He then highlighted why motivations matter as well as a proper system that allows equal distribution by saying that ''*I would not participate in FT if I had to forego profits and that I do not want to give back to farmers unless I have a benefit*''.

To this end, although FTOs like No Nasties represent a new entrant in the industry and could in theory gain market share from M&S, this has been disproven in practice by interviewee 66-the CEO of No Nasties-who claimed they only exist because M&S opened up the market for them. He also repeatedly suggested that their limited scale does not facilitate or allow any comparisons or claims regarding challenging retailers/big brands profitability. To support this, Hindustan Times (2012) suggested that No Nasties have recovered the money they have invested in 2011 but haven't made any profit by 2012.

6.4.4 Purchasing Power

In a conventional ''buyer-driven'' chain in which demand and profitability are important, the purchasing power of lead firms plays a vital role. In this context, the volumes of FT purchased are too small to significantly impact the purchasing power of large TNCs. This also highlights the uneven playing field between M&S and No Nasties when considering No Nasties significantly smaller scale and FT's ''mainstreaming''. Beyond the absolute scale of purchasing power, FTI have not been successful in convincing big retailer/brands to commit long term to FT, as they have been using their purchasing power in order to squeeze suppliers on price and appear to be non-committal purchasers of FT. On the same note, whilst FT has raised awareness at spinner and vertically integrated manufacturer level, they haven't shifted their business practices and power exercised through their purchasing power and organisation.

To illustrate, The Guardian (2012) suggested that a big retailer/brand like H&M would typically use 200,000 tonnes per year. To put this in perspective, this is just 3.2% of India's annual production, when considering that India is the third biggest cotton producer in the world, with just over 6.25 million tonnes in 2012, according to SSI (2014). In this context, M&S's Plan A report (2014) mentioned their goal of sourcing 25% of their conventional cotton from sustainable sources by 2015. Interviewee 6 told us that FT comprises 10-15% of M&S's volume sourced from sustainable sources such as BCI, organic and recycled. Therefore, we have estimated M&S's FT cotton purchasing to be in the range of 5,000-7,500 tonnes per year from Agrocel and others, which is just 2.5-3.75% of their overall cotton usage.

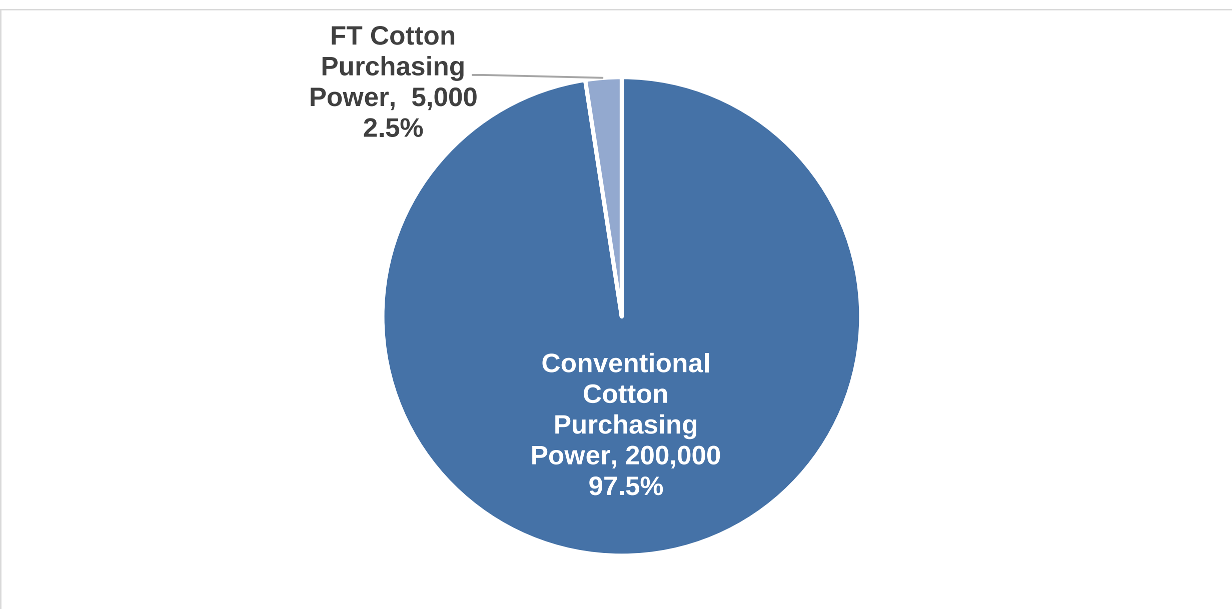
> Therefore, similarly to the previous chapter, FT does not curb the absolute purchasing power of big brands/manufacturers, it only marginally altered the mix of this power, which in M&S's can be quantified to 2.5-3.75% of their overall cotton usage (see figure 24 below).

Although similar data weren't made easily available to us for No Nasties, the CEO of No Nasties has repeatedly emphasised their small size compared to M&S, which was further compounded by the fact that only 20% of their t-shirts are sold in FT and organic terms. Interviewee 63-CEO of Fairtrade India-confirmed that:

> ''*M&S purchase around 2% of their overall volume in FT, but this still gives them significantly more volume than No Nasties*''.

As such, when considering the Chetna-No Nasties GVC and the impact it may be having on the conventional chain's lead brands and their purchasing power as a new entrant, it is obvious that the impact is insignificant. Furthermore, as mentioned earlier, interviewee 66-CEO of No Nasties-added that M&S's purchasing power and volume opened up the market for them. This way, small firms like them find their niche and position themselves as 100% FT and organic.

Figure 24: M&S purchasing power split in 2014-Conventional and FT (tonnes)



Source: Author's calculations from M&S's Plan A (2014), The Guardian (2012) and interviewee 6

In parallel, earlier in this key theme we mentioned that while the scale of demand is significant so is its sustainability and nature. To this end, interviewee 25-ex-Oxfam manager involved in FT-told us that:

> Through his involvement in FT, he has experienced retailers/brands utilising their purchasing power in order to squeeze smaller FT organisations on price. Furthermore, despite their initial commitment to buy, they have later backed down from this commitment.

On this note, interviewees 63 and 67 from FTI mentioned their strategic orientation to working with retailers/brands as they ‘‘*want to tilt their power by making them commit*’’. When challenged on this position, they acknowledged ‘‘*there is plenty more we still need to do in terms of curbing their power, but we need to grow in size too through sales in order to become sizable enough and make retailers/brands change*’’.

At spinner/vertically integrated manufacturer level, we have already articulated how extensive the spinning and manufacturing sector is as well as its role in the Indian economy and society. In this context, although interviewee 51-a project manager from the Agrocel-M&S GVC mentioned the role that FT has played in educating them regarding the issues that farmers face further down the chain, he has also highlighted that in practice their purchasing power and the way it has been exercised hasn’t shifted at all. He further told us that:

> ‘‘*Spinners are the worst in the chain, as they drive a race to the bottom when it comes to price. They go around asking ginners about quotes and then they bargain hard whilst playing off ginners against each other*’’.

Finally, interviewee 68-the director of the Bombay Textiles Research Association-added that their purchasing power is further pronounced since they are highly organised through their associations.

6.4.5 VALUE ADDED

Similarly to the previous chapter, retailers/brands and vertically integrated manufacturers have more power than farmers as a result of adding value to cotton. As such, beyond ginning, value is added through ginning, spinning, knitting, dyeing and finishing, garment stitching and retailing. Since retailing can provide 20-40 times greater value add than the second most value-add activity, both M&S and No Nasties focused there. In this sense, both FT chains overlap with the conventional one at manufacturing level, but as discussed No Nasties is less powerful and consequently impactful than M&S compared to the garment manufacturer, due to their limited size. And, whilst the M&S FT chain also overlaps with its conventional at retail level, both FT GVCs impact on the overall value added at retail and manufacturing level is marginal given the low FT volumes purchased.

As such, in line with Gereffi (1994) who defined governance as the power relationships that determine how financial resources are allocated and flow within a chain in chapter 2, the focus here is on value added from No Nasties and M&S's point of view within their FT chains beyond ginning. Similarly to the previous chapter, interviewees argued that vertically integrated manufacturers and retailer/brands ''deservedly'' have greater power than producers in the conventional chain as they add more value to cotton. For example, interviewee 49-deputy general manager of the Cotton Corporation of India suggested that ''*significant value is added beyond farmer level, whilst cotton farming is only a small % of the value of the end product*''. At the same time, interviewee 52-the Director of the Ministry of Agriculture-Department of Cooperation-explained that ''*textile manufacturers have more power as they add value, while farmers do very little to add value*''.

As we saw earlier, the value added process is shaped as retailers/brands set their quality requirements that determine the volume of cotton bought to be included in their garments and the consequent designs. On the back of this, value added takes place across in varying degree across all the steps we earlier outlined in the lengthy conventional chain: farming, ginning, spinning, knitting, and dyeing and finishing, garment stitching and retailing (which includes marketing and branding). On this note, interviewee 64-general manager of a vertically integrated manufacturer-suggested that:

> ''*$1 worth of cotton is equal to $2.5 worth of yarn and $3.5 worth of garment. This ramps up after wholesale and retail/brand level at $8-10 when buying from a supermarket*''.

On this note, as per table 16, an elaborate value chain analysis from Rieple and Singh (2010) showed that the greatest value-add takes place at retailing stage through marketing and branding, which can be 30 times greater than the second most value-add activity (garment stitching). They have justified this on the basis of customers' preparedness to pay premium for what they perceive to be ethical, but also because retailers like M&S are particularly skilled in building a good reputation around their ethical credentials. Given this stark difference in value add, interviewee 64 added that their power derives from vertical integration that allowed them to bring together all the activities from ginning to garment stitching, whilst backward integration provided them with better cotton price, standard of production, security of supply and independence without having to rely on agents.

Table 16: Net added value ($) at each stage to make a 0.25kg ethical t-shirt retailing for $44

Activity	Farming	Ginning	Spinning	Knitting	Dyeing & Finishing	Garment stitching	Retail
Net value added	0.06	0.29	0.34	0.15	0.26	0.67	20.4

Source: Adjusted from Rieple and Singh (2010)

In relation to the role of both FT GVCs in value-added activities, both M&S and No Nasties have no involvement at manufacturing level and their FT chain overlaps with the conventional one, as interviewee 63-CEO of FT India-informed us that:

> ''*No Nasties and M&S have overlapping value chains at manufacturing level as No Nasties procure some of the garment from the same garment factories as M&S*''.

However, due to the purchasing power and the FT volumes we discussed earlier, it's quite clear that in quantitative terms M&S's chain has more impact in terms of value added orders that take place in India. On the same note, he told us that:

> ''*Since No Nasties is very small, the garment manufacturer has more power, whereas in the M&S chain, M&S has more power than the garment manufacturer*''. This means that No Nasties is limited in terms of the sustainable impact they can affect down the chain due to their weaker position relative to the garment manufacturer.

Similarly, as we saw earlier, at retail level, No Nasties undertake branding and marketing but due to their size and their focus on the online channel, the value added is considered to be a tiny fraction of M&S's. It's worth mentioning, that M&S's FT chain also overlaps with their conventional chain at retail level and is approached as yet another garment in a shop-interviewee 6. Similarly, given the low FT volumes we earlier outlined for both FT GVCs, the overall value-added is marginal and refers only to its composition and not to its absolute scale.

6.4.6 Conclusion

The argument in this key theme was built on Gereffi (1994) and Gereffi and Fernandez-Stark's (2011) "buyer-driven" governance structure. Cotton is a ''buyer-driven'' GVC driven by vertically integrated manufacturers and retailers/brands, so power lies with them and their demand. Whilst FTI rely on the FT mark in order to stimulate demand, FT cotton sales have been poor and the implementation of associated standards has been different across the two FT GVCs. In order to resolve this and in line with their ‘‘mainstreaming’’ approach, FTI have launched the Fairtrade Cotton Programme label, but the extent to which this will substantially change customers' understanding between the two labels is questionable.

Although the FT mark comprises an important power mechanism in relation to demand, it is the consumers who make purchasing decisions. However, global demand for FT cotton has dropped significantly and this has been also manifested down the chain, whereby only 36% of the FT cotton produced was sold in FT terms. This showcases the niche character of FT cotton that relies on unpredictable buyer demand driven by fashion and lack of sustainable buyer commitment, which adversely impacts the profit of farmers and their cooperative. In light of this, brands and retailers exercise their power by being close to consumer demand and influencing purchasing decisions through marketing and branding which deliver the greatest profits in the chain.

Although demand is a significant power mechanism, quality is also important as it often determines demand and the price. As such, retailers/brands exercise their power on the vertically integrated manufacturers on the basis of their quality specifications, whilst the vertically integrated manufacturers do the same to ginners. In this context, FT doesn't play a role in product quality or process quality as they have abandoned traceability through the Fairtrade Cotton Programme in order to increase FT cotton sales. Whilst this has not been successful enough to entice greater volumes from big retailers like M&S, FT's process quality element (traceability) was replaced by M&S Plan A's sustainability strategy which includes several process quality dimensions.

Whilst the abandonment of traceability is also related to profitability, the argument on profitability builds on the basis of FT's decision to ‘‘go mainstream’’ and work with TNCs. As a result, vertically integrated manufacturers and brands/retailers have used FT as a mechanism to increase their profits through huge price mark-ups. In this context, FT have no control whatsoever over commercial decisions of the participating companies, who only participate in FT on the basis of their ability to make money on the back of it. Whilst this is the case for conventional TNCs participating in FT, the Chetna-No Nasties GVC is nowhere near gaining market share from retailers like M&S or shifting the power balance, because of their size.

In a ‘‘buyer-driven’’ chain in which demand and profitability are important, the purchasing power of lead firms plays an equally important role. In this context, the volumes of FT purchased are too small to significantly impact the purchasing power of large TNCs. This also highlights the uneven playing field between M&S and No Nasties when considering No Nasties significantly smaller scale and FT's ''mainstreaming''. Beyond the absolute scale of purchasing power, FTI have not been successful in convincing big retailer/brands to commit long term to FT, as they have been abusing their purchasing power and are non-committal purchasers of FT. At manufacturing level, whilst FT has raised awareness at spinner and vertically integrated manufacturer level, they haven't shifted their business practices and power exercised through their purchasing power and organisation. As well as purchasing power, retailers/brands and vertically integrated manufacturers have more power than farmers as a result of adding value to cotton through ginning, spinning, knitting, dyeing and finishing, garment stitching and retailing. Since retailing can provide 30 times greater value add than the second best most value-add activity, both M&S and No Nasties focused there. In this sense, both FT chains overlap with the conventional one at manufacturing level, but No Nasties is less powerful and consequently impactful than M&S compared to the garment manufacturer, due to their limited size. And, whilst M&S FT chain also overlaps with its conventional at retail level, both FT GVCs impact on the overall value added at retail and manufacturing level is marginal given the low FT volumes purchased.

6.5 Chain Relations & Coordination

Similarly to the previous chapter, the argument in this key theme is based on Gereffi et al. (2005) and Gereffi and Fernandez-Stark's (2011) ''governance as coordination''. Although the concept of buyer ''driven-ness'' is still applicable, this ''driven-ness'' is manifested in different ways, degrees and has different drivers (Granleese, 2009). As such, we will be enhancing it through Gereffi et al. (2005) five governance structures (as explained in chapter 2 and depicted in figure 2) to reflect their evolution according to trends, innovations and their further sophistication.

Therefore, in this key theme we will outline the relations between chain nodes and contrast the conventional with the FT chains in order to examine if and to what extent FT affects the existing governance structure. As discussed earlier, since FT focuses at farming level, the core of the discussion will be concentrated there.

6.5.1 Farmer-Buyer Relations

Similarly to the previous chapter, BASIC (2014) described the governance structure between cotton farmers and buyers in the conventional cotton chain as ''captive''. This has been determined on the basis of the farmers' transactional dependency on buyers to buy their produce through controlling the price paid and providing them with the necessary inputs. Also, during the previous key themes as well as in chapter 2 on Fairtrade, we referred to the FT standards and their implementation in the two FT chains. In particular, we talked about farmer organisation and the FT minimum price and how they are implemented in each chain. To this end, we will examine whether and to what extent the implementation of some of the key FT standards in the FT GVCs has shifted the ''captive'' governance in the conventional chain at farmer-buyer level.

1. **''Captive'' conventional chain governance** – BASIC's (2014) assessment of the governance structure between farmers and their buyers as ''captive'' has been confirmed during our fieldwork. This is due to the fact that although farmers can sell directly to independent agents, ginners or sell to the local markets, all these relationships are highly transactional and commoditised with the buyers offering little or no support to farmers. But, farmers are also captive to moneylenders that contribute to farmers' indebtedness and are caught up in a situation, whereby they sell mostly to ginners in a distressed situation underpinned by financial problems, market structure and necessity. In this context, the relationship between farmers and ginners is characterised by great power imbalance, whereby farmers always need money and are price-takers in a ''buyer-driven'' chain.

To illustrate, numerous interviewees[24] indicated that cotton farmers in the conventional chain can sell directly to independent agents, ginners or sell to the local markets whereby traders, local ginners, commission agents, spinners as well as government agencies such as the Cotton Corporation of India (CCI) purchase cotton through an open auction/tender system, following the prevalent market practices in the various yards. Interviewees 56-cotton farmers from Nagpur, Maharashtra and interviewees 57-ginner and farmers in Nagpur, Maharashtra-explained that all these relationships are highly transactional and commoditised with the buyers offering no support to farmers. Support comes only from the Government in the form of MSP and input subsidy, as we discussed earlier. In fact, interviewee 25-ex-Oxfam manager-emphasised that:

> ''*This is the greatest power imbalance that farmers face as they are held hostage to the buyers of their cotton*''.

He also highlighted financing as another important power mechanism that generates power imbalance. In the sustainability key theme, we referred to interviewees 65-the managing director and senior vice president of marketing of a vertically integrated manufacturer-who informed us that ''*at the time of sowing farmers will borrow money form moneylenders at excessive rates, as high as 36% per annum*''. Although, along with interviewee 53, they added that private money lenders should be eliminated as they significantly contribute to farmers' indebtedness and potentially to the suicides we referred to earlier, interviewee 53 suggested that:

> ''*There is no political will to eradicate this power imbalance as politicians, bankers or their network of people are often involved in these profiteering money lending practices*''.

Beyond financing, interviewees 56 and 57 clarified that despite these three options they mostly end up selling directly to ginners as there is only one local market per district as opposed to 12-15 ginners. In addition, farmers tend to sell to agents-albeit at lower prices than the local market-who come to pick up their cotton, due to the vast distances they would need to cover in order to reach the local market or the ginners and the associated transportation cost. If we consider this in combination to the dire financial situation farmers are in, it's easy to understand why farmers do so in what has been termed as ''distressed'' sale-interviewee 48-head of the Central Institute for Research on Cotton Technology. On this note, interviewee 64-the general manager of a vertically integrated manufacturer-mentioned the key role that agents have in the chain through commanding 15-20% profit margin.

[24] Interviewees 48, 49, 50, 53, 56, 57, 58, 59 and 68.

On the other hand, interviewee 58-owner of a ginning business-told us that farmers only get 1-2% more if they go to the local market instead of going directly to a ginner, but they bear the transportation cost. Nonetheless, interviewee 61-quality assurance manager of a vertically integrated manufacturer-informed us there is less of a power imbalance in local markets than in direct relationships with ginners or agents due to the rate transparency and buyer options. On this note, interviewees 56 and 57-cotton farmers from Nagpur, Maharashtra-were also positive about local markets and told us ''*they are fairer compared to agents or ginners as grading is impartial and they don't cheat through faulty scales*''. As we explained earlier, other interviewees like interviewee 68 were more sceptical and referred to price fixing by traders through holding stocks. In parallel, interviewee 53-a cotton industry consultant-referred to the 4% tax the farmer has to pay to the government as well as the transportation cost to get to the local market.

In parallel, interviewees have been highly critical of the direct selling to ginners. Interviewees 57-ginner and farmers in Nagpur, Maharashtra-told us that their transactional relationship is based on cost and quality. Cost and price are determined as the ginner assesses the grade of cotton and quotes accordingly. If farmers agree they sell the cotton and if they disagree they sell to another ginner. On top of this, we should note that farmers pay the transportation cost. In terms of quality, as mentioned earlier, it's dependent on the time of year with the first 4 months providing superior quality and the next 2 months average quality. Beyond price and quality, ginners try to purchase cotton with low moisture content so that they can pay less per kg.

However, in order to understand the drivers of the way ginners operate and exercise their power on farmers, we need to carefully examine their context. Interviewee 58 explained that the government was previously undertaking ginning and consequently were the main cotton purchaser from farmers, but they were running losses. As a result, they have liberalised the market in 2006-07 to private ginners, who have been recording +/-5% margins on average in a highly commoditised market. Importantly, we were also informed that ginning is a volume business which runs only for 8 months, so inevitably ginners will be trying to procure at the lowest cost possible as the profit margins are tight. Although, interviewees 57 and 58 we spoke to refused that they are trying to squeeze the farmers in price, the analysis above confirms the price pressure farmers incur from ginners.

2. **FT Farmer Empowerment –** In line with the notion of empowerment in chapter 2 and in the context of the ''captive'' relations we have just described in the conventional chain driven by financiers and buyers, farmers are highly disempowered. In contrast, both FT chains introduce a

promoting body and farmer cooperative in the relationship between farmers and ginners, which improves the previous farmer-ginner power imbalance. Nonetheless, this has been markedly better in Chetna's case on the basis of the true autonomy of the cooperative, farmer ownership and bottom-up approach, which was further enhanced by the fact that Chetna farmers maintain ownership of the cotton through subcontracting the ginner. On the other hand, in Agrocel's case, since ginners provide finance and both Agrocel and them do not truly believe in farmers' autonomy, farmer empowerment has been limited.

To illustrate, we have previously explained during the ''political crop'' key theme that farmers in the conventional chain are highly disempowered due to their smallholding, geographical distribution, commitment, the fact that they are operating in a ''buyer-driven'' chain, and the limited help they receive from the government. As well as this, we have also just argued that farmers are in ''captive'' relations with the ginners. In contrast, both FT chains introduce farmer cooperatives and a promoting body in the relationship between farmer and ginner. So, as we have explained in the ''political crop'' key theme, in Agrocel's case, this is Agrocel Pure & Fair cotton grower association and Agrocel Industries. In Chetna, we have the Self-Help Groups (SHGs), which are legally grouped in Cooperatives and the board members from each of these cooperatives forms the board of Chetna Organic Farmers Association (COFA) and Chetna Organic Agricultural Producer Company Limited (COAPCL). To this end, interviewee 25 suggested that:

> ''*The FT co-operative-farmer power imbalance is much better than the farmer-ginner imbalance*'', whilst adding that ''*Chetna is a true co-operative but Agrocel isn't*''.

As discussed earlier during the ''political crop'' key theme, this was explained through Chetna's bottom-up sophisticated and multilayered approach, farmer ownership and developmental focus, as opposed to Agrocel's top-down approach than maintains farmer dependency.

Beyond this, interviewee 67-FTI's manager-explained Chetna's approach in more detail. Farmers who are members of COFA deliver cotton to ginners on a price that was agreed collectively by farmers through COFA. Then, COFA pays farmers the FT minimum price or the market price and distributes to cooperatives based on volumes.

> The sophistication of Chetna's model in eliminating the farmer-ginner power imbalance goes beyond this, as the ginner is only subcontracted so Chetna maintains ownership and delivers lint to spinners who decide whether to purchase on FT terms on the basis of an order by a big brand.

On the other hand, as we have explained in the ‘‘political crop’’ key theme, farmers are more dependent on Agrocel’s model as they have only recently organised. So, whilst they make decisions around use of FT premium, they have less/no input on production and marketing since Agrocel does this for them. Also, interviewee 63-CEO of FT India-suggested that

> ‘‘*Despite Agrocel having their own ginning facility, ginners have more power over negotiation because they provide finance to farmers. Although FT tries to control and regulate this through certification, Agrocel and ginners fundamentally do not believe in truly empowering farmers*’’.

3. **FT premium and profiteering –** Empowering farmers is also particularly relevant when discussing the FT premium, as it facilitates and may in part finance empowerment projects and processes. As such, building on the systemic conception of world-systems, Gereffi’s (1994) and Gereffi and Fernandez-Stark’s (2011) ‘‘buyer-driven’’ GVCs, along with FT’s decision to ‘‘go mainstream’’, we argue that despite the small absolute scale of the FT premiums across both FT GVCs, the process of the FT premium distribution is questionable regarding its monitoring and enforcement, whilst it has seriously been limited by the motivations and business imperatives of the participants.

To this end, in contrast to the FT minimum price, which has been sidetracked on the basis of the MSP and often better market prices, numerous interviewees[25] often cited FT premiums during our discussions around the implementation of the FT principles. The following numbers reflect the low 2012 FT production and sales figures we referred to in in the ‘‘buyer-driven’’ power structure key theme. To this end, as per table 17 below, M&S purchases around 5,000-7,500 tonnes per year, whilst Fairtrade (2015) informed us that Agrocel’s members produced around 4,232 tonnes of seed cotton in 2012, of which 526 tonnes were sold in the Fairtrade market. Considering that the Fairtrade Premium stands at €0.05/kg, the total FT premium for 2012 paid to Agrocel was €26,300. According to our discussion with interviewee 6, we expect the bulk of it to be from M&S. On the same note, Chetna’s farmers produced 6,300 tonnes in 2012 and sold 800-1000 tonnes of Fairtrade organic per year. Although this may be attracting higher premium due to its organic nature, for comparison purposes we used the FT premium above at €0.05/kg, which gives us a total of €40,000-50,000 in 2012. Of this, we only expect an insignificant percentage to be attributed to No Nasties clients. Although we haven’t been able to obtain information on the exact volume that No Nasties purchases from Chetna in FT terms, this is expected to be insignificant compared

[25] Interviewees 20, 21, 25, 51, 63, 65, 66, 67, 69 and 70.

to M&S given that only 20% of their range is organic FT and they are very small in the first place-interviewee 66.

Table 17: 2012 Total FT Premium per FT GVC

FT GVC/ Dimension	FT produced (tonnes)	FT Sold (tonnes)	FT Premium (€)	FT % bought by end buyer
Agrocel-M&S	4,232	526	26,300	Majority by M&S
Chetna-No Nasties	6,300	800-1000 (FT & Organic)	40,000-50,000	Minority by No Nasties

Source: Author's calculations from Fairtrade (2015)

This is therefore in line with Le Mare (2008), Imhof and Lee (2007) who suggested in chapter 2 that FT has improved the economic position of the FT producers. Nonetheless, beyond the absolute scale of the FT premium, there were concerns regarding the process of the FT premium payment to the farmers' cooperative. On this note, interviewee 67 assured us that there are mechanisms to ensure that FT premium will be paid by spinners to farmers within 15 days. If not, they get a penalty and may get expelled from FT. In the meantime, FT is conducting audits every year to ensure this is taking place.

> Despite this, he confided that spinners are trying to capture part of the value of the FT premium by using exchange currency averages throughout the year to give less back to farmers. To counter this, FT has asked them to use the day of the purchase exchange rate.

But, despite the mechanisms FT has in place to ensure that the premium will reach the farmers and to what extent they are enforceable, it is important to understand what contributes to the uncertainty around the distribution of the FT premium. Firstly, interviewee 15-sustainable materials specialist for a major retailer-stressed that the sheer size of organisations like M&S across products, geographies, in combination with their drive for profitability we mentioned earlier does not allow them to monitor the chain down to this level. This is also being discouraged by the chain itself which is incredibly complex, long and geographically dispersed-interviewees 10 and 25. On the flip side, despite No Nasties' small size and focused operational and geographical remit, interviewee 66-CEO of No Nasties-told us that they have to rely on FT since they do not have the capacity or resources themselves to monitor if the FT premium is reaching the farmers.

Secondly, the motivations, chain relations, nature and drive for profitability of participants are equally important. Interviewee 54, CEO of a cotton FTO, reminded us that ''*ginners and spinners are not part of the certification process, hence they treat it only as a commodity*''. Also, despite the fact that vertically integrated manufacturers are certified, interviewees 65-the managing director and senior vice president of marketing of a vertically integrated manufacturer-openly told us that:

> ''*They do not monitor or know whether the ginner they bought FT cotton lint from will in turn pay the FT premium to the farmers*''.

This not only demonstrates that the motivations of FT participants are important for the success of FT, but also showcases the lack of FT's systemic approach (as provided by the GVC framework) manifested by the systemic nature of chain reactions caused by the drive for profitability. As interviewee 63-CEO of FT India-told us,

> ''*Retailers/brands squeeze spinning mills/vertically integrated manufactures on price and consequently spinning mills try to squeeze ginners and farmers on price*''.

Therefore, this is why they may not want to commit additional resources and spend money to monitor, or try to withhold part of the FT premium from farmers through illegitimate ways like the one we mentioned earlier. Also, as we said earlier, although they position themselves as 100% FT, the drive for profitability is also applicable in No Nasties. Interviewee 66-CEO of No Nasties-told us that when they started, they were working closely with Chetna, but now they have expanded they are no longer able to do so, hence they rely on the vertically integrated manufacturer to work with them on the ground.

Thirdly, the business imperative of profitability has also been manifested in the previous key theme when we discussed profitability through FT price compounding. To this end, FT's mechanism itself was questioned by our interviewees for allowing this to take place. Although, Agrocel charges a premium of 5-7% to spinners on top of the cotton price and FT premium, interviewee 69-project manager from the Agrocel-M&S GVC-admitted that profiteering on the back of the FT premium is not justifiable unless farmers could receive some of the proceeds. Therefore, he proposed that ''*the FT premium should come directly from the brand to FLO, who will then assess and distribute according to who provides what % of the value*''.

4. **Value Added/Upgrading** – Beyond the scale and the process of the FT premium payment, what also matters is how this has been invested. We have earlier referred to upgrading in the

‘‘political crop’’ key theme, but also through No Nasties and M&S’s position within their FT chains beyond trading/processing in the ‘‘buyer-driven’’ power structure key theme. As we found in the previous chapter, through building on Gereffi and Fernandez-Stark’s (2011) ‘‘product, process or functional upgrading’’, here, we focus on value added below ginning at farmer and cooperative level. Whilst there is no upgrading in the conventional chain, Agrocel’s use of premium and notion of farmer empowerment could be characterised as process upgrading, driven more by the productivity-oriented use of premiums than the weak top-down farmer organisation. On the other hand, Chetna’s bottom-up approach, farmer ownership, genuine farmer empowerment in combination with the warehouse construction and the diversification project, have led to process and inter-chain functional upgrading.

To illustrate, from the previous discussion in this key theme, it has been established that there is no value added and upgrading in the conventional chain at farming level, since the relationships have been at best characterised commoditised and transactional. On the other hand, for the FT GVCs, although we have already discussed the decision-making process manifested through the definition of empowerment practiced in each chain, FT Foundation’s (2015) website provides an extensive list of projects for each chain. For example, Agrocel FT premium has been predominantly used to fund the following:

- **Productivity related projects –** Short-term loan scheme for farmers to finance agricultural improvements, rehabilitation of degraded farm land, drip irrigation and rainwater conservation.
- **Community projects** – Solar street lamps in villages, community hall provision for meetings, relief fund to pay medical costs for farmers.
- **Training –** Farmer education and training programs, technical assistance to create compost pits.

On the other hand, Chetna have been using their premiums to fund the following:

- **Warehouse construction** – At the co-operative level where cotton from the farmers is aggregated and stored in a safe manner until the low season, when cotton prices are higher.
- **Infrastructure diversification Projects** – Intended to create viable income generating opportunities for the different co-ops, and to improve the productivity and the livelihoods of smallholder farmers. These projects include, among others, the construction of dhal mills and a bio-fertiliser unit.

- **Input financing –** Procurement of non-GM cotton seeds, which are often difficult or even impossible to find during the critical sowing season.

Although, the above comprise just some examples of the projects that Agrocel and Chetna fund through FT premium, they are also indicative of the orientation of these organisations as well as the structural impact they have on farmers. From the discussion above, we can conclude that Agrocel projects are useful and essential from a productivity and community point of view, however they do not enable structural transformation of the farmers' position and their consequent relations with value chain participants. This is in line with the argument we articulated earlier in the ''political crop'' key theme around the lack of genuine farmer empowerment in Agrocel-M&S's FT chain. On the other hand, structural transformation and true farmer empowerment have been facilitated more through Chetna's farmer ownership, empowerment and their income diversification projects away from just cotton, as well as through warehouse construction. The latter one would allow farmers to be in stronger position when taking their cotton to ginners and then the lint to spinners. At the same time, the previous one would allow more independence from the cotton chain and diversified income and livelihoods.

5. **''Captive'' and ''Relational'' chain governance** – Through using Gereffi et al.'s (2005) typology and on the basis of our interviews and BASIC's (2014) report, we earlier suggested that the governance structure between cotton farmers and their buyers in the conventional chain is ''captive''. This has been justified by the fact that ginners, agents, traders or spinners control the price paid, whilst it's proven impractical for farmers to have more options other than selling directly to ginners. At the same time, they are dependent on the Government of India for the inputs at a subsidised rate.

On the basis of our discussion later, we explained that the Chetna-No Nasties FT chain has changed this type of governance at farmer/farmer cooperative-ginner level to ''relational''. Whilst, BASIC (2014) confirmed that mutual accountability and personal ties are key elements in a relational structure, we have earlier demonstrated that Chetna went ''beyond FT'' by advancing bottom-up farmer organisation that allowed the farmer cooperative to lead negotiations and even maintain ownership of the cotton and lint through subcontracting the ginning process. This was further facilitated by the use of FT premium to build warehouses and diversify income, which led to the increase of farmer power and their upgrading. In this context, the previously transactional buyer-led relations have been transformed to personal ties and relations of mutual accountability. Interviewee 20-a research officer from IDS-explained the shift in governance on the fact that:

‘‘*Chetna is a deviation, as they were an NGO and are more development oriented than the typical contract production organisations*’’.

On the other hand, the Agrocel-M&S FT chain governance remains ‘‘captive’’ at this level, since there is not true political empowerment, longevity of relationships and personal ties. As we also showed earlier, it’s still geared towards productivity whilst very little focus has been attributed to helping make farmers truly independent. To illustrate, in the ‘‘political crop’’ key theme, we mentioned that Agrocel in combination with contract production framework it operates within, deprives farmers of their choice, it’s top-down and it has failed-interviewee 63, 54, 20 and 48. However, we must acknowledge that the intensity of the ‘‘captive’’ structure is not as high as the one in the conventional chain, since farmers have been supported through the FT premium and through forming a co-operative. To this end, interviewee 62-the president and owner of a vertically integrated manufacturer told us that ‘‘*contract farming has been less exploitative than what traders do with farmers in the conventional chain*’’.

In terms of the potential of both FT GVCs to scale up and shift the governance structure in the conventional chain, we argue this is unlikely on the basis of FT’s and Chetna’s limited scale we examined earlier, the existing market structure at trading and ginning level as set up by the Indian Government’s liberalisation of ginning and the role of agents and moneylenders. In Agrocel-M&S’s case, this is also not possible given the contract production framework as well as the motivations and beliefs of participants, which do not facilitate farmers’ independence. For a summary of this discussion, see table 18 below.

Table 18: Conventional vs. FT GVC Governance types, Farmer-Buyer level

GVC	Governance Structure/ Intensity	Rationale
Conventional	*Captive-High*	• Farmers’ transactional dependency on buyers • Commoditised approach • Money-lenders and agents role
FT Chetna-No Nasties	*Relational*	• Mutual dependence, accountability, personal ties • Farmer ownership, bottom-up approach • Sub-contracting ginning process whilst maintaining ownership • Income diversification
FT Agrocel-M&S	*Captive-Low*	• No true political empowerment, longevity of relationships and personal ties • Better than conventional chain’s relations through FT premium use and set up of cooperative

Source: Author, BASIC (2014) and fieldwork

6.5.2 Ginner-Spinner/Vertically integrated manufacturer Relations

This relationship reflects a typical ‘‘buyer-driven’’ chain, with highly transactional relations and ‘‘captive’’ governance structure, whereby spinners/vertically integrated manufacturers determine the price on the basis of supplier availability, quality parameters and their purchasing power. To this end, the pressure ginners receive is key to understand why they in turn squeeze farmers on price, as explained earlier. As such, FT’s sole focus on farming level highlighted its lack of the systemic understanding advanced by world-systems and the GVC approach. In this context, the Agrocel-M&S FT GVC overlaps at this level with the conventional chain and maintain the existing ‘‘captive’’ governance structure, despite Agrocel having their own ginning facility. On the other hand, Chetna’s ownership of lint after ginning and their strong collaboration with RCML, who is a prolific Fairtrade buyer and also have a stake in Chetna, have shifted governance to ‘‘relational’’.

To this end, interviewees 57-ginner and farmers in Nagpur, Maharashtra-and interviewee 58-owner of a ginning company-explained that after the farming stage and the separation of cotton seeds from lint during the ginning process, ginners can sell to agents or spinners/vertically integrated manufacturers directly. Mirroring the transactional relations earlier, the interactions here are also typical of a highly commoditised market based on a ‘‘buyer-driven’’ chain. Therefore, the buyer and the prevailing market prices at the time determine the price ginners will normally get. Also, quality requirements are set by the buyer and determine the price. We have earlier explained that quality depends on the time of the year and that the key five quality parameters spinners/vertically integrated manufacturers seek are: 1. Length, 2. Uniformity ratio, 3. Strength, 4. Microfiness, 5. Trash.

At this stage, it would be important to highlight the role of agents. Similarly to the farmer-ginner relationship earlier, interviewee 50-CEO of a major cotton seed trader-told us that often there are independent agents between spinners/vertically integrated manufacturers and ginners. Their role is quite significant according to interviewee 64-general manager of a vertically integrated manufacturer-who only uses agents to buy cotton. Once they give them specific quality requirements, agents send them samples, they test it and decide to buy or not based on quality but also on quotes from other agents. Interviewees 57 explained that agents capture value through striving for a lower purchase price form ginners than the one that the spinner/vertically integrated manufacturer is willing to pay.

Similarly, according to interviewee 49-deputy general manager of the Cotton Corporation of India-in the direct relations between ginners and spinners/vertically integrated manufacturers, ''*the spinners/vertically integrated manufacturers drive a race to the bottom by comparing quotes from different ginners and picking the lowest that gives them the quality they require*''.

It is evident that power lies with the buyers for a variety of reasons. Since it's a buyer market, the quality and price requirements are set by the buyers and spinners have greater power than ginners as they are united and have quite large requirements, so they buy from a number of ginners. On the other hand, the power of ginners can improve when the quality of lint is good and have more holding power but this would depend on their financial position and cash flow, which is usually not great as we have seen earlier due to their thin profit margins. Similarly, agents can command more power and better price if they have the quality they require-ibid.

As such, on the basis of Gereffi et al. (2005) typology, since relations are transactional and ginners face only a few buyers whereas spinners/vertically integrated manufacturers have significantly more sources, the governance structure is ''captive'' in the conventional chain. In relation to FT, interviewee 67-FTI's manager-suggested that Agrocel have their own ginning facility, but despite this, the Agrocel-M&S FT chain operate within the same ''captive'' set of relationships and governance structure that are prevalent in the conventional chain. To this end, interviewee 51-project manager from the Agrocel-M&S GVC-suggested that although FT raised awareness with some spinners, it's been extremely difficult to deal with most of them as they drive a race to the bottom to ensure their profitability.

On the other hand, interviewee 67 advanced that Chetna has maintained ownership of the lint since they have only subcontracted ginning. Following this, Chetna's manager informed us that they sell lint to Rajlakshmi Cotton Mills Private Limited (RCML), who have been a prolific Organic & Fairtrade cotton lint buyer from Chetna Organic, whilst holding a 10% stake in Chetna Organic. This relationship is highly collaborative as they support Chetna Organic in lots of development activities like donating sewing machines, funds for research activities in agricultural lands (Lahankar 2014). Besides RCML, interviewee 66-CEO of No Nasties-suggested they also work with Armstrong Knitting Mills and other smaller factories, which may limit the effect of the relationship with RCML. On the basis of the relationship with RCML though, which clearly goes ''beyond FT'' standards, the Chetna-No Nasties FT chain has changed the ''captive'' governance to ''relational'' (see table 19).

Table 19: Conventional vs. FT GVC Governance types, Ginner-Spinner/Vertically integrated manufacturer level

GVC	Governance Structure/ Intensity	Rationale
Conventional (Agrocel-M&S FT GVCs overlapping with conventional)	*Captive-High*	• Highly transactional underpinned by ‘‘buyer-driven’’ chain, whereby buyers determine price on the basis of supplier availability, quality parameters and their purchasing power
Chetna-No Nasties FT GVC	*Relational-Medium*	• Collaborative relationship, based on personal ties, ownership in Chetna organic and development activities. • Intensity limited to medium, since No Nasties also procure from others beyond RCML

Source: Author

6.5.3 Vertically integrated manufacturer-Retailer/Brand Relations

This relationship is based on a number of criteria including price, quality, product innovation, service, timely delivery and good relationships. Although this, in combination with an equal number of options for both sides, resemble ‘‘relational’’ governance, retailers/brands’ emphasis on price, indicates a ‘‘modular’’ governance structure. Similarly to the previous section, FT’s focus on farming only highlighted the lack of systemic understanding advanced by world-systems and the GVC approach. As such, although FT through the Agrocel-M&S FT GVC has allowed further engagement with manufacturers beyond price, the ‘‘modular’’ structure remains intact, since business imperatives prevail. At the same time, No Nasties small scale and RCML’s marketing support has not affected any change as well.

During the ‘‘buyer-driven’’ key theme earlier, we have highlighted that retailers/brands in the UK exercise their power on vertically integrated manufacturers in India directly or via an agent through the articulation of a set of quality parameters. These usually include blend of cotton and polyester, technical parameters in relation to variation of diameter, strength and twist, and colour. Beyond quality, interviewee 6-sustainable materials specialist for a major retailer-explained that they pick suppliers and relate to them also on the basis of product innovation, low cost, good service, on time delivery and good relationships.

Nonetheless, interviewee 21-head of business development for a vertically integrated manufacturer-emphasised that ‘‘*most retailers/brands pay excessive attention on price and they* *end up relating to them exclusively on this basis*''. On this note, interviewee 54-CEO of a cotton FTO-told us that department stores and big brands relate differently to their suppliers.

> ''*Department stores like M&S put more pressure on price and time whilst having less involvement in the chain compared to big brands*''.

Also, interviewee 13, an independent FT consultant, reminded us that the power of retailers/brands in garments is diffused as there are many of them and there is little concentration, unlike the chocolate chain. Similarly, there are many vertically integrated manufacturers. So, although the last remark could lead us to believe there is a balance of power and ''relational'' governance according to Gereffi et al. (2005) typology, if we consider our previous analysis regarding positioning closer to demand and the quality requirements above, we can conclude that retailers/brands have the edge over the manufacturers in a ''modular'' governance structure.

However, when considering the Agrocel-M&S FT chain, we earlier mentioned in the ''political crop'' key theme that M&S is maintaining a process quality dimension on top of the product quality dimension. Although, this process quality dimension goes ''beyond FT'' as part of their overarching sustainability strategy in Plan A, it has facilitated further engagement with the manufacturers in topics beyond price. This has been further supported by the manufacturer who works with M&S. To this end, interviewee 21 told us that they work in partnership with them, especially in relation to new products. Despite this, interviewee 54 cautioned that:

> ''*M&S is a department store who are not very ethical although they portray themselves to be ethical*''.

He further explained what we have already described in our sustainability key theme, that their Plan A is underpinned by profit considerations. In Chetna-No Nasties GVC, Chetna's manager told us that RCML have been instrumental in helping Chetna Organic to make a brand of its own within the international cotton buyers and they have been supportive in the marketing side (Lahankar 2014). However, interviewee 63-CEO of FT India-told us that:

''*No Nasties size was prohibitive for a shift in relationships and changing the buying behaviour of retailers/brands and their focus on price*''. As such, relations remain ''modular'' (see table 20).

Table 20: Conventional vs. FT GVC Governance types, Vertically integrated manufacturer-Retailer/Brand level

GVC	Governance Structure/ Intensity	Rationale
Conventional (Both FT GVCs overlapping with conventional)	*Modular-Moderate*	• Strong collaboration and mutual dependence based on price, quality, service, product development • Quality requirements, proximity to consumer demand and price-focused

Source: Author

6.5.4 RETAILERS/BRANDS-CONSUMER RELATIONS

Similarly to the previous chapter, despite the introduction of FT premium priced garments by retailers in order to address the demand of their socially/ethically aware consumers, price remained the main driver in retailers and consumers purchasing decisions. On the basis of the price prominence, the governance structure in the conventional chain is based on ''market'' relations. To this end, FT's decision to ''go mainstream'' through conventional distribution channels meant that relations would remain the same, mirroring those in the conventional chain.

To illustrate, in the previous chapter, Smith (2008) explained that supermarkets in the conventional chain are increasingly holding tough negotiations on price and pursue strategies like open book accounting which enables them to pressure for price cuts. As such, the prominence of price has demonstrated ''market'' relations, as per Gereffi et al. (2005) typology. In relation to FT, interviewee 6 suggested that retailers market FT garments because of the ''good story'' that accompanies FT and the customer recognition of its label. On this note, interviewee 10-senior manager in FT Foundation-stressed that ''*FT has influenced value chains at the customer level*''. More specifically, FT has raised consumer awareness through No Nasties t-shirts and M&S's range of garments regarding cotton farmers' situation in India. This consumer awareness was meant to fund farmers so that they can apply pressure upwards the chain trough having more meaningful discussion and forming better contracts with the buyers of their produce.

Nonetheless, on the back of the analysis in the ''buyer-driven'' power structure key theme, we have also showed the significant drop in FT sales whilst quantifying the mark-ups consumers have been asked to pay for FT garments, as a result of the profiteering in the middle of the chain as well as consumers' preparedness to pay higher price for ethical products. In this context, price remained the most prominent criterion in purchasing decisions according to interviewee 6, who argued that ''*M&S don't believe they should be charging their customers a premium for products* *especially in the current recession environment*''. Since price has been suggested as the driving force despite the introduction of FT in M&S or No Nasties products, the governance structure has remained the same mirroring the ''market'' relations of a conventional chain. As mentioned previously, although FT has been useful in raising awareness, its decision to rely on conventional distribution channels like retailers and supermarkets could not effect change in the existing governance structure. This discussion is summarised in table 21 below.

Table 21: Conventional vs. FT GVC Governance types, Retailers/Brands-Consumer level

GVC	Governance Structure/ Intensity	Rationale
Conventional (Both FT GVCs overlapping with conventional)	*Market-High*	• Price drives retailers and consumer decision over FT ''good story''

Source: Author

6.5.5 Conclusions

The argument in this key theme was built on Gereffi et al. (2005) and Gereffi and Fernandez-Stark's (2011) ''governance as coordination''. As mentioned in the previous chapter, due to FT's sole focus on the consumer and farmers ends of the chain, our analysis highlighted FT's lack of appreciation in relation to the way the international trading system works through the systemic approach of world systems and GVCs, which put power relations in the centre. To this end, existing governance structures-underpinned by their ''buyer-driven'' nature-in a node of the chain often drive impact further down the chain, driven by the most powerful organisations, like retailers/brands and the spinners/vertically integrated manufacturers.

This was demonstrated by the fact that both FT chains failed in shifting the relations and governance structure in all but the farming and ginner-spinner/vertically integrated manufacturer nodes of the GVC. But even when this was achieved only in the Chetna-No Nasties FT GVC, the potential to affect change in the conventional chain at scale for all cotton farmers was deemed unrealistic due to their limited scale, but also due to the existing market structure at trading and ginning level as set up by the Indian Government's liberalisation of ginning, the role of agents and moneylenders. Whilst this illustrates Chase-Dunn and Grimes (1995) and Wallerstein's (1995) reference to the State's vital role, it also highlights the importance of Gereffi and Fernandez-Stark's (2011) reference to understanding the context that GVCs operate within, which we have developed in detail during chapter 2. This way, FT did not take into account the impact that existing relations and governance structures across the chain have down the chain at farming level.

But, in order to summarise in a systematic manner, at farmer-buyer level, the conventional governance structure is ‘‘captive’’ on the basis of the transactional dependency of farmers on buyers and money-lenders, which has been driven to a great extent by the context and the ‘‘buyer-driven’’ nature of the chain. Nonetheless, this has shifted in Chetna-No Nasties’ FT GVC to ‘‘relational’’ as a result of Chetna going beyond the FT standards, which led to mutual dependence through farmer ownership, bottom-up approach, income diversification and sub-contracting the ginning process. The Agrocel-M&S FT GVC remained ‘‘captive’’, due to the lack of true political empowerment as a result of the contract production framework as well as the motivations and beliefs of participants. Despite this, the intensity of the ‘‘captive’’ governance structure was less than the one in the conventional chain due to the set-up of the cooperative and the FT premium use.

At ginner-spinner/vertically integrated manufacturer level, the highly intensive ‘‘captive’’ governance exercised by the spinners/vertically integrated manufacturers is based on the highly transactional manner underpinned by the ‘‘buyer-driven’’ chain, whereby buyers determine price on the basis of supplier availability, quality parameters and their purchasing power. Although, ‘‘captive’’ relations remained intact in Agrocel-M&S’s chain, the Chetna-No Nasties GVC have shifted to ‘‘relational’’ on the basis of the strong collaborative relationship with RCML who also own Chetna’s 10%. On the other hand, at vertically integrated manufacturer-retailer/brand level, the relations remain ‘‘modular’’ across conventional and FT chains, despite strong collaboration beyond price, to service, product development and sustainability qualities. This is because of M&S’s profit-driven Plan-A, quality requirements and proximity to consumer demand, in parallel to No Nasties lack of scale. Lastly, at retailers/brands-consumer level, despite the introduction of FT garments, price remained the main driver in retailers and consumer purchasing decisions, which in essence is translated in a ‘‘market’’ governance structure. This has been inevitable given FT’s strategic decision to ‘‘go mainstream’’ through conventional distribution channels.

CHAPTER 7 – CONCLUSIONS

This thesis set out to understand the extent that Fairtrade may lead to a systemic shift in the way power relations are embedded and exercised in the international trading system. To this end, this chapter provides a closing discussion based on the literature review, analytical framework, methodology and empirical analysis. The first part uses the fieldwork findings to answer the four main research questions:

1. How does Fairtrade's ''mainstreaming'' relate to TNCs corporate sustainability and what are the implications for Fairtrade International's organisational sustainability?
2. How does Fairtrade shift the power held by nation states over the lives of farmers?
3. How does Fairtrade address the power mechanisms that lead TNCs utilise in ''buyer-driven'' GVCs?
4. To what extent and in what way has Fairtrade changed the nature of governance relationships between GVC nodes?

The second part aims to pull the research questions together and summarise the thesis and our argument in a concise manner. Following this, we highlight the significance of these findings for the disciplines of international development, international trade, political science and agricultural economics. In doing so, we outline the strengths and limitations of our analytical framework and provide recommendations for further research.

7.1 RESEARCH QUESTIONS

7.1.1 RESEARCH QUESTION ONE

The first question aimed to understand the relationship between FT's decision to ''go mainstream'' and TNCs corporate sustainability agenda, and, secondly, what have the implications of this relationship been for FTI's organisational sustainability. Our literature review indicated the conflict between fair trade's vision of modifying the existing international trading system and FT's ''mainstreaming'' approach. This has been explained by Renard (2003) who argued that TNCs do not adhere to the ideological principles of FT, which means that power relations at the heart of the network do not change. In parallel, Fridell (2003) argued that the challenge which FT poses to the global capitalist market is ultimately restricted by its involvement in it. As such, the dominance of the agents, mechanism, and structures of global capitalism remain unaltered and, in many ways, unquestioned. This has been manifested by the participation of TNCs in FT through their corporate sustainability programs that represent only a minor quantitative commitment, whilst they are simultaneously making huge profits in the conventional market. This has highlighted the main issue for FTI's organisational sustainability, which hinges on the fact that the relatively minor commitment of these TNCs is a major one for FT. Consequently, this gives TNCs great influence on the future direction and sustainability of Fairtrade.

In line with the literature review, our empirical analysis showed that chocolate TNCs like Mondelez adopted FT as an add-on, compliance-driven certification to an existing business agenda, driven by profit, brand reputation, differentiation, addressing customer trends and especially security of cocoa bean supply considerations. But, since FT's focus is on democratic organisation and not on productivity or security of supply, it hasn't been useful in helping big chocolate brands with their security of supply from Ghana. Therefore, they decided to take the matter into their own hands and invest in sustainability programmes. As a result, FT was undermined by a plethora of sustainability programmes on the ground, like Cocoa Life. Similarly, garment retailers in the UK, like M&S, introduced FT as an add-on certification in order to entice a segment of ''ethical'' shoppers to buy their garments. Following this, FT was further demoted as part of M&S's corporate sustainability agenda, Plan A. We argued that Plan A is profit-driven by nature as it was underpinned by M&S's considerations about brand reputation, a range of commercial criteria and sustainability, of which FT was only a small part of.

Fairtrade's sustainability as an initiative, the organisational sustainability of FTI and other Fairtrade organisations have been challenged, as a result of FT being undermined. To this end, FT's approach and cost came under scrutiny. To this end, FTI's top-down and ''one size fits all'' approach was challenged across our cases for its failure to take into account the context within it operates. For example, FT principles have been deemed limited in the multidimensional Indian cotton production context with sustainability of production concerns, cotton farmers' suicides, ginners squeezing farmers on price, adverse weather that affects the crop, low productivity cotton farming areas, input prices and farmer indebtedness. Lastly, we have demonstrated that FT certification is expensive for farmers, particularly by providing cost advantage and access to big producer organisations as opposed to small ones.

In response to FT's undermining and critique, FTI have reviewed their business model and decided to move beyond certification and donations to a self-sustaining organisation based on licensee fees. This was further pronounced by the development of a more flexible model for garment retailers that would enable them to buy more FT cotton volume, albeit with a slightly different FT label, which however led to the compromise of the traceability principle and the alienation of FTOs. This also took place in cocoa, resulting in FTOs severely criticising FTI for compromising FT principles in favor of increased sales. To this end, FTI's new business model not only mirrored the move of TNCs to go beyond certification and towards corporate sustainability, but also FTI's conscious strategy to ''go mainstream'' and consequently having to survive in a competitive market as a mainstream organisation. But, having to rely on TNCs, who buy on the basis of price and ease of implementation, for its organisational and financial viability meant that FT not only had to compromise some of its principles, but also to compete with other certifications, like UTZ and BCI who they were losing significant market share to.

7.1.2 Research Question Two

The second question aimed to understand to what extent and how Fairtrade shifts the power exercised by states over the lives of their cocoa and cotton farmers. In our theory, Wallerstein (1995) argued that nation states comprise one of the institutional structures and arrangements that have allowed and defended capital accumulation. But, beyond the ''power-over'' and top-down approach to power, we have also demonstrated through our feminist power analyses that there is a bottom-up conception of power seen as empowerment. In this, we argued the need to explore power emerging from the margins of society or through cooperation between the dominated (Temperley, 2013). In this context, we have referred to FT's farmer organisation principle whilst in parallel, we have illustrated FT's attempt to reforming the existing trading system on the basis of voluntary commitments from TNCs and consumers, away from international market regulation with the nation state as a primary agent in development (Fridell, 2006).

In light of this, our empirical analysis illustrated that FT has been unable to shift the significant power exercised by the Cocobod at multiple levels, including financing of cocoa purchases, external marketing of cocoa beans, quality control and pricing. As such, across these levels, FT was deemed irrelevant due to the strong role of the state in a partially liberalised market structure and the scale of the undertaking. In this context, both FT GVCs have no option but to comply and work within these parameters, which effectively means that the FT and conventional GVCs overlap at financing, external marketing, quality and pricing level. Although FT could potentially provide a complimentary role in quality control through traceability, this was abandoned in commercial FT GVCs, like Cocoa Life-Mondelez, in what clearly reflected the dilution of FT principles because of FT's ''mainstreaming''. At pricing level, the FT minimum price has been consistently below the price set by the producer (price) review committee that applies to all Ghanaian cocoa farmers. Similarly, Fairtrade has not been successful in shifting the Indian Government's power, although their power has been exercised at pricing and input subsidy level only. To this end, the FT minimum price was deemed irrelevant as market prices and the Government's MSP have been consistently higher.

In similar fashion, we further argued that FT's role continued to go unnoticed as we analysed the importance of cocoa as a foreign exchange earner for the Ghanaian economy in the context of a constantly depreciating cedi and consistent underinvestment in infrastructure that adversely affects the lives of farmers. In relation to infrastructure, the role of FT at macro-level has been undermined due to the scale of requirement and that it was out of scope. But, at micro-level it should be noted that despite some of the FT premium been invested in health services and education, the investments did not reach the whole Kuapa Kokoo membership. On the other hand, in Cocoa Life-Mondelez GVC, the FT premium has been directed exclusively to farm improvement and not broader infrastructure investment. In relation to value add in Ghana, FT has also been marginalised especially in relation to tariff escalation and direct investment from foreign governments. And, despite the potential to fill the gap regarding in country value-added processing of cocoa beans, FT's orientation towards exporting raw cocoa beans further exacerbated the existing primary product export tendency, contrary to this been acknowledged as a shortcoming by the Cocoa Life-Mondelez's GVC.

Similarly, in relation to cotton, FT's power has been irrelevant in face of the dominance of developed countries subsidies that have contributed to an uneven playing field for farmers in developing countries, whilst some have attributed its lack of success to the subsidies in India. And, despite the prominence and power of the organised value add-spinning/manufacturing sector in India, which has been facilitated by the value-add policies of the Indian government, FT's limitations were highlighted arising from the lack of any FT standards related to value-add.

But, despite FT's shortcomings, FT has to a certain extent initiated true qualitative differences in farmer organisation and empowerment. We have to note though that these differences cannot be fully attributed to FTI, but also to Kuapa Kokoo and Cocoa Life who often went ''beyond FT'', through forward integration, farmer ownership (Kuapa) and some diversification (Cocoa Life). So, whilst Ghanaian cocoa farmers in the conventional chain are powerless in a context underpinned by a paternalistic and highly politicised approach, FT farmers in the Kuapa Kokoo-Divine GVC are better off through farmer ownership, a bottom-up approach, forward integration, close relationships and women empowerment underpinned by strong democratic processes and governance. In Cocoa Life-Mondelez's chain, on the other hand, despite the formal democratic procedures and decentralised approach to FT premiums, farmer empowerment has been top-down, excluded farmer ownership and was driven by security of supply considerations. Despite the differences in relation to empowerment between the two FT cocoa-chocolate chains, the extent of farmer empowerment has been limited due to FT's overall scale (11% of the Ghanaian cocoa farming population), the historical mistrust of cooperatives in Ghana, the infrastructural challenges, gender norms, the profit-driven motives of TNCs that consider democratic processes costly, and the size as well as the motivations of the cooperatives.

Similarly, in the cotton-garment FT GVCs, farmer empowerment and organisation were also manifested in different ways in the two FT GVCs and treated with more caution compared to the cocoa-chocolate GVCs due to contract production. To this end, the Chetna Organic-No Nasties GVC, also through going ''beyond FT'', has demonstrated great practice in terms of farmer organisation and empowerment, as demonstrated by farmer ownership, technical capability, democratic governance, bottom-up approach and women empowerment. This has ultimately resulted in COFA's evolution into an autonomous SPO. In contrast, Agrocel have received extensive criticism in relation to their impact on genuine farmer empowerment, due to the lack of full representation, capacity to represent farmers, limited women empowerment and minimal input on production and marketing decisions, because of their reliance on Agrocel Industries-the promoting body. This has been ''nurtured'' by the contract production framework itself as well as Agrocel's profit orientation. But, despite the differences between the two FT GVCs, the common limitations include limited financing and scale, which reaches less than 0.5% of the overall cotton farming population in India.

7.1.3 Research Question Three

The third question aimed to assess the way that Fairtrade addresses the power mechanisms that lead TNCs utilise in ''buyer-driven'' GVCs. Our literature review showed that cocoa and cotton are ''buyer-driven'' GVCs driven by international traders/processors, chocolate brands and vertically integrated manufacturers, retailers/brands respectively. As such, they dictate the way chains operate by requiring suppliers to meet certain standards and protocols (Gereffi and Fernandez-Stark, 2011). In essence, Gereffi (1994) argued that the main job of these powerful TNCs is to manage the chain and integrate the various pieces of business. In this background, we showed that Fairtrade has chosen to ''go mainstream'' and work with lead brands and retailers.

In this context, our empirical analysis demonstrated that consumer demand and positioning are significant power dynamics. On this note, FTI rely on the FT mark in order to stimulate customer recognition and demand which will be ultimately translated into sales. Whilst this has been successful in terms of FT chocolate sales, it has yielded poor sales for FT garments. In order to resolve this and in line with their ''mainstreaming'' approach, FTI have launched the Fairtrade Cotton Programme label, but the extent to which this will substantially change customers' understanding between the two labels is questionable. But, despite the increased FT chocolate sales and potential to increase FT garment sales through the launch of the Fairtrade Cotton Programme, the absolute level of demand for FT products is still very low, since at cooperative level, Kuapa Kokoo sold only 50% of their annual production in FT terms in 2012/13, whilst Mondelez only bought 7% in Cocoa Life's case. Similarly, Agrocel and Chetna only sold 12.4% and 12.6% of its cotton production in FT and FT & Organic terms respectively in 2012. Whilst this discussion highlights the niche character of FT that relies on unpredictable buyer demand and lack of sustainable buyer commitment, the qualitative effect down the FT GVCs through the implementation of associated standards hasn't allowed for proper power redistribution on the TNC-driven FT GVCs. This is because despite the FT label and associated standards, Mondelez have shaped and managed Cocoa Life and their chain in a top-down manner to ensure security of supply, whilst M&S have done the same without the need to go past the vertically integrated manufacturers who maintain control down the chain.

Beyond demand, the purchasing power of lead buyers is also key in ''buyer-driven'' chains. As such, the volumes of FT purchased are too small to significantly impact the purchasing power of large TNCs, as highlighted by FT being only 4% of Mondelez's and 2.5-3.75% of M&S's overall purchasing volume. At the same time, the uneven playing field between these TNCs and Divine and No Nasties is highlighted by the fact that Divine has only 0.18% of Mondelez's purchasing power whilst No Nasties is too insignificant to even compare. But, beyond the absolute scale of purchasing power, FTI have not been successful in convincing M&S or Mondelez to commit long term to FT, as they have been leveraging their purchasing power resulting in non-committal sustainable purchases of FT. Furthermore, the niche potential of FT was mirrored further down the cocoa chain when it became apparent that the limited capacity of farmers' cooperatives as well as Divine's limited purchasing power means that brands/big manufacturers can only buy at scale from someone who is equivalent to their size, like the international traders/processors. At garment manufacturing level, whilst FT has raised awareness at spinner and vertically integrated manufacturer level, they haven't shifted their business practices and power exercised through their purchasing power and organisation.

Adding value to cocoa through processing, marketing and branding has been also a key power mechanism. This was underpinned by the outsourcing of processing in both FT cocoa-chocolate

GVCs and the realisation that Mondelez have overlapping FT and conventional chains at processing and marketing/branding level. The outsourcing trend was mirrored by international traders' vertical integration backwards and forward which led to oligopsonistic market structures. In this context, FT hasn't been important in influencing traders' power due to its focus on consumer level and alignment with brands. Similarly, in cotton-garment GVCs, retailers/brands and vertically integrated manufacturers have more power than farmers as a result of adding value to cotton through ginning, spinning, knitting, dyeing and finishing, garment stitching and retailing. Since retailing can provide 30 times greater value add than the second best most value-add activity, both M&S and No Nasties focused there. In this sense, both FT chains overlap with the conventional one at manufacturing level, but No Nasties is less powerful and consequently impactful than M&S compared to the garment manufacturer, due to their limited size. And, whilst M&S's FT chain also overlaps with its conventional at retail level, both FT GVCs impact on the overall value added at retail and manufacturing level is marginal given the low FT volumes purchased.

Quality is also an important power mechanism in cotton-garment GVCs as it often determines demand and the price. As such, retailers/brands exercise their power on the vertically integrated manufacturers on the basis of their quality specifications, whilst the vertically integrated manufacturers do the same to ginners. In this context, FT doesn't play a role in product quality or process quality as they have abandoned the FT traceability principle through the Fairtrade Cotton Programme in order to increase FT cotton sales. Whilst this has not been successful enough to entice greater volumes from big retailers like M&S, FT's process quality element (traceability) was replaced by M&S Plan A's sustainability strategy. Whilst the abandonment of traceability is also related to profitability, the argument on the profitability of lead buyers builds on the basis of FT's decision to ''go mainstream'' and work with TNCs. As a result, vertically integrated manufacturers and brands/retailers in cotton-garment GVCs have used FT as a mechanism to increase their profits through huge price mark-ups. In this context, FT have no control whatsoever over commercial decisions of the participating companies, who only participate in FT on the basis of their ability to make money. Whilst this is the case for conventional TNCs participating in FT, the Chetna-No Nasties GVC is nowhere near gaining market share from retailers like M&S or shifting the power balance, because of their size.

In a similar vein, strategies like vertical integration were ultimately driven by TNCs profitability goals in the cocoa-chocolate GVCs. On this note and on the back of FTI's licensee-based business model, chocolate brands have also been using their purchasing power to lobby FTI for changes to its principles and standards around the FT minimum price, traceability and sourcing of other ingredients on a non-FT basis in order to suit their profitability objectives. So, whilst chocolate brands have successfully lobbied FTI to loosen its FT principles and FTI earned more licensee fees, Divine have been delivering profits proportional to their small scale and in line with their focus to go ‘‘beyond FT’’. Beyond lobbying FTI in order to effectively reduce their cost base and increase their profits, lead buyers have also been consolidating in an effort to maximize profitability through leveraging branding, marketing budgets and optimising costs through greater scale. These elements, in combination with the consequent oligopsonistic market structures that arise, comprise significant power mechanisms that justify the limitations Divine is facing in order to scale up and compete with the lead TNCs.

But, whilst all the previously mentioned power mechanisms are important, they often are exercised by lead TNCs in isolation. To compliment them, lead buyers involved in the cocoa-chocolate GVCs also advance their security of supply considerations in an organised manner under international organisations, like WCF. In this context, FT’s role has been marginal since it doesn’t focus on productivity.

7.1.4 Research Question Four

The fourth question aimed to understand to what extent Fairtrade might have changed the nature of governance relationships between GVC nodes. To this end, the analysis was based on Gereffi et al. (2005) and Gereffi and Fernandez-Stark’s (2011) ‘‘governance as coordination’’ and Gereffi et al. (2005) typology of governance structures, namely; markets, modular, relational, captive, and hierarchy. Importantly, due to FT’s ‘‘mainstreaming’’ and sole focus on the consumer and farmer ends of the chain, this analysis highlighted FT’s lack of appreciation in relation to the way the international trading system works through the systemic approach of world systems and GVCs, which put power relations in the centre of the analysis whilst highlighting the States’ vital role and the context that GVCs operate within. To this end, existing governance structures-underpinned by their ‘‘buyer-driven’’ nature-in a node of the chain often drive impact further down the chain, especially when driven by the most powerful institutions, like Cocobod, the international traders/processors or brands in cocoa-chocolate GVCs and retailers/brands and the spinners/vertically integrated manufacturers in cotton-garment GVCs.

In cocoa-chocolate GVCs, this was illustrated by the fact that both FT GVCs failed to change the governance structure in all but one of the nodes of the GVC. But even when this was achieved at farmer-LBC level in Kuapa Kokoo-Divine’s FT GVC, the potential to affect change in the conventional chain at scale for all Ghanaian farmers was deemed unrealistic due to Divine's limited scale, but also due to the existing market structure at LBC level set up by Cocobod. This way, FT do not take into account the impact that existing governance structures in the middle of the chain driven by Cocobod have down the chain at farming level.

At farmer-LBC level, the conventional governance structure is ''captive'' on the basis of the transactional dependency of farmers on LBCs, which has been driven to a great extent by Cocobod's market structure. This has however shifted in Kuapa Kokoo-Divine's FT GVC to ''relational'' due to going ''beyond FT'', that resulted in mutual dependence, elimination of purchasing clerk-farmer mistrust issue, accountability and bottom-up empowerment. The Cocoa Life-Mondelez FT GVC remained ''captive'', due to the lack of true political empowerment as a result of the organisational goal to secure supply in a top-down manner. Despite this, the intensity of the ''captive'' governance structure was less than the one in the conventional chain due to fact that farmers have been receiving more training, advice and support towards diversification.

At LBC-Cocobod level, the highly intensive ''captive'' governance exercised by Cocobod remained intact, since the highly risky environment LBCs operate is the market structure that both FT GVCs are subject to. Similarly, FT is subject to the ''relational'' governance structure prevalent in the conventional chain at Cocobod-International Traders/Processors level. At international Traders/Processors-Manufacturing Brands level, since FT is treated as yet ''another product in the shop'' for Mondelez, the Cocoa Life-Mondelez FT GVC overlaps with Mondelez's conventional chain resulting in the maintenance of the ''modular'' governance structure. This is also the case for Kuapa Kokoo-Divine's FT GVC, but at lower intensity given Divine's significantly smaller scale compared to Mondelez and the international traders/processors. Lastly, at Manufacturing Brands & Retailers-Consumer level, despite the introduction of FT branded chocolate products by supermarkets, price remained as the main driver in retailers and consumers purchasing decisions, which in essence is translated in a ''market'' governance structure. This has been inevitable given FT's strategic decision to ''go mainstream'' through conventional distribution channels.

In cotton-garment GVCs, both FT chains failed to shift the relations and governance structure in all but the farming and ginner-spinner/vertically integrated manufacturer node of the GVC. But even when this was achieved only in the Chetna-No Nasties FT GVC, the potential to affect change in the conventional chain at scale for all cotton farmers was deemed unrealistic due to their limited scale, but also due to the existing market structure at trading and ginning level as set up by the Indian Government's liberalisation of ginning, the role of agents and moneylenders.

At farmer-buyer level, the conventional governance structure is ‘‘captive’’ on the basis of the transactional dependency of farmers on buyers and money-lenders, which has been driven to a great extent by the context and the ‘‘buyer-driven’’ nature of the chain. Nonetheless, this has shifted in Chetna-No Nasties’ FT GVC to ‘‘relational’’ as a result of Chetna ‘‘going beyond the FT standards’’, which led to mutual dependence through farmer ownership, bottom-up approach, income diversification and sub-contracting the ginning process. The Agrocel-M&S FT GVC remained ‘‘captive’’, due to the lack of true political empowerment as a result of the contract production framework as well as the motivations and beliefs of participants. Despite this, the intensity of the ‘‘captive’’ governance structure was less than the one in the conventional chain due to the set-up of the cooperative and the FT premium use.

At ginner-spinner/vertically integrated manufacturer level, the highly intensive ‘‘captive’’ governance exercised by the spinners/vertically integrated manufacturers is based on the highly transactional manner underpinned by the ‘‘buyer-driven’’ chain, whereby buyers determine price on the basis of supplier availability, quality parameters and their purchasing power. Although, ‘‘captive’’ relations remained intact in Agrocel-M&S’s chain, the Chetna-No Nasties GVC have shifted to ‘‘relational’’ on the basis of the strong collaborative relationship with RCML who also own Chetna’s 10%. On the other hand, at vertically integrated manufacturer-retailer/brand level, the relations remain ‘‘modular’’ across conventional and FT chains, despite strong collaboration beyond price, to service, product development and sustainability qualities. This is because of M&S’s profit-driven Plan-A, quality requirements and proximity to consumer demand, in parallel to No Nasties lack of scale. Lastly, at retailers/brands-consumer level, despite the introduction of FT garments, price remained the main driver in retailers and consumers purchasing decisions, which in essence is translated in a ‘‘market’’ governance structure. This has been inevitable given FT’s strategic decision to ‘‘go mainstream’’ through conventional distribution channels.

7.2 Concluding Remarks

Having answered each of our research questions independently, this section aims to summarise the thesis in a holistic manner and highlight our arguments. As such, we started off with the world-systems theory that explains the structure of the international trading system through a top-down global perspective of power relations. To this end, we argued that in order to understand existing power imbalances, we must first understand the agents (nation state, TNCs) and mechanisms (production networks, unequal exchange) through which the world system’s primary drive of capital accumulation is achieved.

In this context, fair trade initially aimed to develop alternatives to the existing system and aspired to be free from the pressures imposed by profit-driven transnationals through international market regulation and the maintenance of the nation state as a primary agent in development. Nonetheless, its orientation shifted substantially and under the influence of neo-liberal reforms that advanced market-driven approaches to development, it was shaped into a market-driven tool (Fairtrade) based on voluntary commitments from consumers, TNCs and NGOs. In light of this ‘‘mainstreaming’’, we argued throughout the thesis that there is a serious conflict between modifying the existing international trading system and FT’s approach that involves working within it and its agents. This was further complemented by FT’s top-down approach, which we argued inevitably omits critical for development purposes contextual elements. FT’s top-down approach was articulated mainly through its standards that were implemented in different ways with varying impacts, whilst being heavily influenced by TNCs due to FT’s ‘‘mainstreaming’’. Finally, we argued that FT’s overall scale is insignificant when considering a variety of scale measures.

Following this, we argued that the analytical framework that best explains power imbalances and the drive for capital accumulation is the GVC approach. This has been further operationalised through lead TNCs that exercise value chain governance articulated through ‘‘governance as power’’ (with its distinct governance structures: ‘‘Buyer-driven’’ and ‘‘producer-driven’’) and overlaid with ‘‘governance as coordination’’. In this framework, we advanced that Fairtrade has limited its potential for systemic change by choosing to operate in ‘‘buyer-driven’’ GVCs and work with the powerful TNCs that drive and control them. On top of this, we have shown that FT’s principles and orientation are geared towards only farming and consumer level through working with brands. This means, however, that FTI have omitted the key systemic GVC feature that involves various governance structures between nodes of the chains that have an impact across the chain. But, beyond the top-down, vertical, ‘‘power-over’’ and ‘‘role of the other’’ conceptions of power, we argued for the need to examine power articulated through its bottom-up, horizontal dimension and its potential to empower. This has enabled us to further investigate FT’s principle of farmer organisation and empowerment.

To this end and building on our goal to synthesise theory, we advanced a qualitative approach, based on semi-structured interviews and documentary evidence within a Feminist Grounded Theory design and four case studies. To this end, through utilising value chain governance, we have examined conventional and FT vertical value chain governance and power relations at GVC/macro-level, as articulated by lead TNCs and States, and, GVC node/micro-level, through analysis of firm governance relations between each node of the chains. Furthermore, we have also examined key horizontal relations, such as the one between FTI and TNCs/FTOs, and to some extent, smaller and larger cooperatives on the basis of FT's cost of certification, but also the role of marginalised groups, such as women within cooperatives.

On this basis and as we have already articulated in the previous section, our empirical findings weren't positive for FT's contribution to systemically shifting the way power relations are embedded and exercised in the international trading system. This was demonstrated to us during the interviewing process, whereby the only individuals who spoke highly of FT were FTI or FT Foundation employees, although they have also questioned FT's scope and capacity in relation to systemic impact. Some of the criticism and dissatisfaction with FT could be traced back to the inherent conflict between fair trade and Fairtrade and the notions of state-led development versus market-driven development.

As such, in relation to the debate on FT's mainstreaming, this dissertation argues that FT's market-driven approach has proven highly problematic as TNCs do not get involved in FT because of ethical concerns, but leverage FT as a marketing tool in order to respond to them and consequently increase their profitability. This was evidenced by the similarity or, frequently, the convergence of governance structures and practices across TNC's conventional and FT chains. However, this has led to FT principle dilution and rapidly declining market share. For example, this has taken place in FT cotton as a result of competition from other certifications (e.g. BCI), since they are cheaper and easier to implement than FT.

Furthermore, the market-driven development that FT advances involves working with big brands in ''buyer-driven'' GVCs, which are associated with oligopsonistic and captive or modular market and governance structures. These structures are predominantly shaped by the very same big brands FT is working with through various mechanisms such as their purchasing power, value added, organisation, quality parameters and positioning in relation to demand. In this context, FT's ''mainstreaming'' and lack of systemic appreciation in combination with its orientation towards only farming and consumer level, have not yielded any systemic power shift. In turn, we've demonstrated that FT's mainstreaming has generated a problematic horizontal power dynamic between FTI and FTOs. To this end, FTOs were let down by FTI's failure to uphold the FT principles, whilst they were reluctant to compete with TNCs in a mainstream context which has in essence been threatening their very own organizational sustainability and their fair trade values.

But, whilst FT and its market-driven approach feature an unsustainable and unsuccessful performance in our chosen GVCs, our findings emphasised the significant role of nation-states in relation to farmers, with the role of Cocobod being the most prominent example. Cocobod's positive contribution has been widely acknowledged by our interviewees at multiple levels, including financing of cocoa purchases, external marketing of cocoa beans, quality control and pricing. To this end, Cocobod's prices paid to farmers have been consistently higher than the FT ones and their quality control has been often praised for its role in achieving price premiums and forward sales that enable financing of cocoa purchases at large scale. Similarly, albeit at lesser extent and impact, the role of the Indian Government was often praised at input subsidy and pricing level. The FT minimum price was deemed irrelevant as market prices and the Indian Government's MSP have been consistently higher. These state interventions clearly stood in stark contrast to the FT's current mainstreaming approach we examined earlier that involved FT principle dilution as a result of lobbying from TNCs and competition from other certifications.

This inevitably begs the question whether a shift away from the market back to state-led development and international market regulation (as previously advocated by fair trade), would deliver greater systemic change in the power structure. This was even echoed in interviewee's 67-FTI's manager-thoughts. He suggested that FTI in India were now looking into ways to collaborate with the Indian Government. Our evidence base earlier also suggested there is scope given the higher price cocoa and cotton farmers obtain in Ghana and India at scale compared to the FT price. This was also further pronounced when comparing the prices that cocoa farmers receive in fully liberalized markets compared to the price they receive in Ghana that still involves strong state intervention. Beyond pricing, our fieldwork also identified areas that a strong state intervention and presence is vital in counterbalancing oligopsonistic structures in ''buyer-driven'' GVCs. This would, however, also need to be enhanced by state intervention at retail level in the developed countries if it were to generate true and sustainable systemic change across the GVCs and countries involved. This would be necessary in order to counter the sheer power of TNCs and the ''buyer-driven'' nature of their GVCs.

To this end, if FT went back to its fair trade roots and worked with strong nation states instead of TNCs, this could result in more balanced power across GVCs, greater benefits for farmers and a repolitisation of FT and the international trade. As such, fair trade would not only be shaped by purchasing decisions (as it took place through FT), which are easily influenced by significant marketing budgets and simplistic messaging or constrained by market demand. Instead, it would be placed in the complex context where it belongs, which reflects the multifaceted and systemic nature of international trade and development. This would also allow for more accountability and power through voting in general elections, whereby nation states can be judged for their performance in delivering a fair share to their farmers, citizens and consumers.

Nonetheless, although state-led development may be a necessary, it is not a sufficient condition for delivering greater systemic change in the internal and external power structure when considering countries like, for example, China or South Korea. To this end, Angresano (2008) argued that Chinese policymakers will need to address growing environmental and income inequality, if China's economy is to continue on its favorable path. Working with nation states in order to bring systemic change does not come without challenges. Our analysis earlier also indicated that nation states want to maintain the ''status quo'', protect ''vested'' interests and also withhold power from farmers. On this note, this could potentially be countered to some extent in the long-run by attempting to leverage and replicate the significant component of farmer empowerment and organisation, as implemented by Kuapa Kokoo and Chetna. Our fieldwork findings earlier suggested that by going ''beyond FT'' both the Kuapa Kokoo-Divine and Chetna-No Nasties FT GVCs have demonstrated genuine bottom-up approach to empowerment through farmer ownership, forward integration (in Kuapa Kokoo's case), close relationships and women empowerment, underpinned by strong democratic processes and governance. As such, shifting the power structure may require creating a framework and the conditions that could generate a significant number of organisations like Chetna and Kuapa. This could potentially be facilitated to some extent by enabling genuine bottom-up politics and initiatives that enhance farmer empowerment, add value and quality to the commodity, elements which are significant across GVCs and their participants.

7.3 Research Implications

On this note, this section aims to highlight the significance of our findings whilst providing recommendations for further research for the disciplines of international development, international trade, political science and agricultural economics.

The rationale for the research lay in the assessment of Fairtrade through a value chain perspective that investigates its systemic impact on the architecture of the international trading system. This has been identified early during the literature review and was confirmed during our fieldwork from interviewee 10-senior manager in FT Foundation-who emphasised that ''*there is no body of evidence to assess value chains and compare conventional to FT ones. More research is needed*''. Since most research on FT has focused on its micro-level impact rather than at macro level through a chain-level focus on power relations, we feel this research contributes in this regard. Therefore, we envisage that our wider contribution to political economy derives from the fact that we assessed a market-driven development mechanism like FT within a political economy context and viewpoint.

Furthermore, the systemic and structural examination of FT through word-systems and GVC was further enhanced through a bottom-up and horizontal understanding of power advanced by our feminist power analyses. This has allowed us to incorporate this viewpoint in shaping development outcomes, whilst in parallel facilitating the analysis of Fairtrade's standard for farmer organisation and empowerment. The combination of GVC and our feminist power analyses as our analytical framework has for example resulted in the argument we advanced during chapters 5 and 6 around Fairtrade's farmer organisation and empowerment that could be classified as upgrading, expanding in this way the GVC theory, but also power relations explanatory power in a political economy context. Furthermore, the combined framework has enabled us to highlight the influence of external actors and underline key horizontal power imbalances, such as the power dynamic between FTI and TNCs/FTOs, the uneven playing field between smaller and larger cooperatives on the basis of FT's cost of certification, but also the role of marginalised groups, such as women within cooperatives. On top of this, at methodological level, the use of feminist methodology has allowed us to qualify the top-down view and arguments of world-systems and GVC with a bottom-up understanding articulated through narratives.

Lastly, we argue that our selection of cases through a variety of chains, organisations, products and geographies has enabled us to enhance external validity, as most studies on FT focus on single chains or organisations. The selection of cases has also allowed us to further contribute to GVC theory and political economy by underlining the importance of context in development, through, for example, showing the importance of CCI and Cocobod in India and Ghana respectively in the governance of their chains as lead buyers. Lastly, we have demonstrated that GVCs are not only driven by lead-buyers independently, but in groups as well, as articulated by bodies like the WCF.

Nonetheless, there are areas of further research that could enhance this study and provide additional insights. For example:

- A historical examination of strong nation-state intervention in our GVCs that facilitated power shift and how could this be further advanced through a collaboration with NGOs and fair trade organisations.

- A robust analysis of cooperatives like Kuapa Kokoo and NGOs like Chetna in relation to the key attributes that enabled them to be successful and how to replicate them.
- A detailed quantitative value chain margin analysis across both GVCs that demonstrates the margins captured by different organisations in conventional and FT GVC nodes, could strengthen our existing analysis.
- Although we have focused on the entire chains as our unit of analysis, we have only briefly referred to input level, which seems to be increasing farmer indebtedness across chains. As such, further GVC research on FT would benefit from also investigating in more detail the input supplier-farmer relationship.
- Although we have attempted to highlight key horizontal relations through the use of our feminist power analyses, we did not explore the entirety of them in detail, such as the one between financing/money-lenders and farmers. Financing was also highlighted as a key power dynamic but due to the focus of our research we did not elaborate to a great extent at micro-level. Similarly, additional power relations research, especially at farmer/household/community level would further compliment this study that focused more on institutional level.

BIBLIOGRAPHY

Ahiakpor, J. (1985), 'The Success and Failure of Dependency Theory: The Experience of Ghana', *International Organization*, 39(3), pp. 535-552

Alkire, S. (2005), *Briefing Note: Capability and Functionings: Definition and Justification* [online]. Available at: http://hd-ca.org/wp-content/uploads/2013/06/HDCA_Briefing_Concepts.pdf [Accessed November 14th 2013]

Allen, A. (2013), 'Feminist Perspectives on Power', *The Stanford Encyclopedia of Philosophy* Spring 2013 Edition, Edward N. Zalta (ed.) [online]. Available at: http://plato.stanford.edu/archives/spr2013/entries/feminist-power [Accessed December 6th 2013]

Angresano, J. (2008), 'The state of China's economy 2009', *Real-world economics review*, 48, 335-350.

Bacon, C. M. (2015), 'Food sovereignty, food security and fair trade: the case of an influential Nicaraguan smallholder cooperatives', *Third World Quarterly*, 36(3), 469-488

Bank of Ghana (2010), *Statistical Bulletin* [online]. Available at: https://www.bog.gov.gh/privatecontent/Publications/Statistical_Bulletin/2010/statistical%20bulletin%20august%202010%202.pdf [Accessed May 29th 2015]

Bank of Ghana (2015), *Statistical Bulletin* [online]. Available at: http://www.bog.gov.gh/privatecontent/Publications/Statistical_Bulletin/2015/Statistical%20Bulletin%20March%202015%20A4.pdf [Accessed May 29th 2015]

Barratt Brown, M. (1997), 'In & against the Market', *Review of African Political Economy*, 24(72), pp.269-276

BASIC (2014), *Who's got the Power? Tackling Imbalances in Agricultural Supply Chains*, A study about power concentration and unfair trading practices in agricultural supply chains [online]. Available at: http://www.fairtrade-advocacy.org/images/Whos_got_the_power-full_report.pdf [Accessed January 30th 2015]

BBC (2006), *M&S set to launch Fairtrade range* [online]. Available at: http://news.bbc.co.uk/1/hi/business/4660410.stm [Accessed June 6th 2015]

BCI (2015), *Who we are* [online]. Available at: http://bettercotton.org/about-bci/who-we-are/ [Accessed January 30th 2015]

Beker, V. (2011), 'On the economic crisis and the crisis of economics', *Real-World Economics Review*, issue no. 56

Bertalanffy, V. (1956), 'General System Theory', in: *General Systems, Yearbook of the Society for General Systems Research*, vol. 1, 1956

Bhaskar, R. (1975), *A realist theory of science*, Second edition, London and New York, Routledge

Bhaskar, R. (1979), *The possibility of Naturalism: A philosophical critique of the Contemporary Human Sciences*, New Jersey, Humanities Press

Bhaskar, R. (1986), *Scientific Realism and Human Emancipation*, London, Verso, pp.1-66

Blaxter, L., Hughes, C. and Tight, M. (2010), *How to research*, Open University Press

Boscher, D., Sexton, D. and Valleur, R. (2012), *Contract Farming and Fairtrade: Identification of driver sand impediments to the emergence and consolidation of producer organizations* [online]. Available at: http://www.commercequitable.org/images/pdf/agriculture_paysanne/rapport%20pour%20diffusion%20etude%20agriculture%20contractuelle%20ce%20-%20version%20en%20anglais.pdf [Accessed June 10th 2015]

Bouwel, J. (2003), 'When unveiling the epistemic fallacy ends with committing the ontological fallacy. On the contribution of critical realism to the social scientific explanatory practice', *Philosophica*, 71, pp. 81-98

Breckenridge, J., Jones, D., Elliott, I. and Nicol, M. (2012), 'Choosing a Methodological Path: Reflections on the Constructivist Turn', *Grounded Theory Review*, 1(11)

Brown, A., Fleetwood, S. and Roberts, J. (2001), 'The marriage of critical realism and Marxism: happy, unhappy or on the rocks?', in: *Critical Realism and Marxism*, Routledge

Bryman, A. (2004), *Social Research Methods*, Oxford, Oxford University press

Cardoso, F. (1972), 'Dependency and Development in Latin America', *New Left Review*, 74, July-August

Charmaz, K. (2006), 'Invitation to Grounded Theory', Chapter 1 in: *Constructing Grounded Theory: A practical guide through qualitative analysis* [online]. Available at: http://www.sagepub.com/upm-data/9548_017586ch1.pdf [Accessed December 10th 2013]

Chase-Dunn, C. and Grimes, P. (1995), 'World-systems Analysis', *Ann. Rev. Sociol*, 21, pp.387 - 417

Chase-Dunn, C. and Hall, T. (1993), 'Comparing World-systems: Concepts and Working Hypotheses', *Social Forces*, 71(4), pp.851-886.

Chirot, D. and Hall, T. (1982), 'World-systems Theory', *Ann. Rev. Social*, 8, pp.81-106

Christie, M., Rowe, P., Perry, C. and Chamard, J. (2000), *Implementation of Realism in Case Study Research Methodology* [online]. Available at: http://ecsocman.hse.ru/data/588/656/1219/case_st.pdf [Accessed October 25th 2013]

Clearly So (2011), *Divine Chocolate Company Details* [online]. Available at: http://www.clearlyso.com/company/172/DivineChocolate.jsf [Accessed January 16th 2011]

Clough, P. and Nutbrown, C. (2002), *A student's guide to methodology*, London, Sage Publications.

Cocoa Life (2014), *Gender Action Plans: Ghana and Cote D'Ivoire*, [online]. Available at: http://www.cocoalife.org/~/media/CocoaLife/News%20Articles%20PDF/GenderActionPlan.pdf [Accessed May 31st 2015].

Cocobod (2014), *General Cocoa Statistics*. Unpublished.

Cohn, S. (2003), 'Common Ground Critiques of Neoclassical Principles Texts', *Post-autistic Economics Review*, 18(3)

Cotton Connect (2014), *Map your cotton supply chain* [online]. Available at: http://www.cottonconnect.org/what-we-do/step-2-map-your-cotton-supply-chain.aspx [Accessed February 25th 2014]

Davis, J. (2006), 'The Nature of Heterodox Economics', *Post-Autistic Economics Review*, issue no. 40

De Vaus, D. (2001), *Research Design in Social Research*, Sage Publications, London

Della Porta, D. and Keating, M. (2008), *Approaches and Methodologies in the social sciences: A pluralist perspective*, Cambridge, Cambridge University Press

Deneulin, S. and Shahani, L. (2009), *An Introduction to the Human Development and Capability Approach* [online]. Available at: www.idrc.ca/en/ev-143029-201-1-DO_TOPIC.html [Accessed 14 November 2013]

Devaraja, T.S. (2011), *Indian Textile and Garment Industry-An Overview*, University of Mysore Hassan, India

Divine Chocolate (2008), *Divine Chocolate Annual Report* [online]. Available at: http://www.divinechocolate.com/sites/www.divinechocolate.com/assets/1390.pdf [Accessed January 16th 2011).

Divine Chocolate (2011), *About Divine* [online]. Available at: http://www.divinechocolate.com/about/default.aspx [Accessed January 16th 2011]

Divine Chocolate (2013), *Annual Report* [online]. Available at: http://www.divinechocolate.com/uk/sites/default/files/img/AnnualReport1213.pdf [Accessed January 30th 2015]

Divine Chocolate (2014), *Annual Report* [online]. Available at: http://www.divinechocolate.com/uk/sites/default/files/img/AnnualReport1314.pdf [Accessed June 2nd 2015]

Doherty, B. (2010), *Resource Advantage Theory and Fair Trade Social Enterprises*. A Thesis Submitted in partial fulfilment of the Requirements of Liverpool John Moores University for the Degree of Doctor of Philosophy, Liverpool John Moores University.

Doherty, B., Davies, I. and Tranchell, S. (2013), 'Where now for fair trade?', *Business History*, 55(2), pp.161-189

Dolan, C. and Humphrey, J. (2000), 'Governance and Trade in fresh vegetables: The impact of UK supermarkets on the African Horticulture industry', *Journal of Development Studies*, 37(2), pp. 147-176

Dormon, E.N.A., Van Huis, A., Leeuwis, C., Obeng-Ofori, D. and Sakyi-Dawson, O. (2004), 'Causes of low productivity of cocoa in Ghana: farmers' perspectives and insights from research and the socio-political establishment', *NJAS*, 52(3/4) [online]. Available at: http://www.worldagroforestry.org/treesandmarkets/inaforesta/documents/causes%20of%20low%20productivity%20of%20cocoa%20in%20Ghana.pdf [Accessed May 24th 2015]

Dow, S. (2000), 'Prospects for the Progress of Heterodox Economics', *Journal of the History of Economic Thought*, 22(02), pp.157-170

Dun & Bradstreet India (2006), *Textile Industry Report* [online]. Available at: http://www.yieldopedia.com/paneladmin/reports/f53345d7a18e30ec97c0d8452672d234.pdf [Accessed January 30th 2015]

Economic Services Group of the National Productivity Council (2010), *Productivity and Competitiveness of India Manufacturing Sector: Textiles and Garments* [online]. Available at: http://nmcc.nic.in/pdf/textilesclothing_03july2010.pdf [Accessed June 9th 2015]

Edward, P. and Tallontire, A. (2009), 'Business and Development – Towards re-politicisation', *Journal of International Development*, 21, pp.819-833

Eisenhardt, K. (1989), 'Building theories from case study research', *The Academy of Management Journal*, 14(4), pp.532-550

Eisenhardt, K. and Graebner, M. (2007), 'Theory Building from Cases: Opportunities and Challenges', *The Academy of Management Journal*, 50(1), pp.25-32

England, P. (1993), 'The Seperative Self: Androcentric Bias in Neoclassical Assumptions', in Ferber, M. and Nelson. J. *Beyond Economic Man: Feminist Theory and Economics*, Chicago: U. of Chicago Press

Environmental Justice Foundation (2009), *Somebody knows where your cotton comes from: Unravelling the cotton supply chain* [online]. Available at: http://www.cottoncampaign.org/wp-content/uploads/2012/07/2009_EJF_SomebodyKnowsWhereCottonComesFrom.pdf [Accessed February 25th 2014]

Fairtrade Foundation (2010), 'The Great Cotton Stitch-Up', *A Fairtrade Foundation Report* [online]. Available at: http://www.fairtrade.net/fileadmin/user_upload/content/2009/resources/2010-11_FT_cotton_policy_report.pdf [Accessed October 25th 2011]

Fairtrade Foundation (2011), *Fairtrade and cocoa: Commodity Briefing* [online]. Available at: http://www.fairtrade.org.uk/includes/documents/cm_docs/2011/C/Cocoa%20Briefing%20FINAL%208Sept11.pdf [Accessed November 30th 2011]

Fairtrade Foundation (2011), *Fairtrade and cocoa Commodity Briefing* [online]. Available at: http://www.fairtrade.org.uk/includes/documents/cm_docs/2011/C/Cocoa%20Briefing%20FINAL%208Sept11.pdf [Accessed February 25th 2014]

Fairtrade Foundation (2011), *What we do?* [online]. Available at: http://www.fairtrade.org.uk/what_is_fairtrade/fairtrade_foundation.aspx [Accessed October 25th 2011]

Fairtrade Foundation (2012), *Impact of Fairtrade Cotton, Summary and Management Response to an independent impact survey* [online]. Available at: http://www.fairtrade.net/fileadmin/user_upload/content/2009/resources/2012_Impact_of_Fairtrade_Cotton_Fairtrade_Foundation_summary_and_response.pdf [Accessed June 9th 2015]

Fairtrade Foundation (2013), *Facts and Figures on Fairtrade: Sales of Fairtrade certified products in the UK* [online]. Available at: http://www.fairtrade.org.uk/what_is_fairtrade/facts_and_figures.aspx [Accessed October 25th 2013]

Fairtrade Foundation (2013), *Kuapa Kokoo Ghana* [online]. Available at: http://www.fairtrade.org.uk/en/farmers-and-workers/cocoa/kuapa-kokoo [Accessed January 30th 2015]

Fairtrade Foundation (2014), *Unlocking the power together-Annual Impact Report 2013-14* [online]. Available at: http://www.fairtrade.org.uk/FTDoc/Fairtrade-Annual-Impact-Report-2013-14.pdf [Accessed June 1st 2015]

Fairtrade Foundation (2015), *Agrocel Pure & Fair Cotton Growers' Association, India* [online]. Available at: http://www.fairtrade.org.uk/producers/cotton/agrocel_pure_and_fair_cotton_growers.aspx [Accessed January 30th 2015]

Fairtrade Foundation (2015), *Chetna Organic Agriculture Producer Company Ltd, India* [online]. Available at: http://www.fairtrade.org.uk/en/farmers-and-workers/cotton/chetna-organic-agriculture-producer-company-ltd [Accessed January 30th 2015]

Fairtrade Foundation (2015), *Fairtrade and Cotton* [online]. Available at: http://www.fairtrade.org.uk/~/media/fairtradeuk/buy%20fairtrade/documents/cotton%20commodity%20briefing%202015.ashx [Accessed June 8th 2015]

Fairtrade Foundation (2015), *Farmers and workers: About Cocoa* [online]. Available at: http://www.fairtrade.org.uk/en/farmers-and-workers/cocoa/about-cocoa [Accessed June 17th 2015]

Fairtrade Foundation (2015), *What is Fairtrade-Who we are* [online]. Available at: http://www.fairtrade.org.uk/en/what-is-fairtrade/who-we-are [Accessed June 17th 2015]

Fairtrade Foundation (no date), *M&S* [online]. Available at: http://www.fairtrade.org.uk/en/buying-fairtrade/tea/marks-and-spencers [Accessed June 6th 2015]

Fairtrade International (2010), *Fairtrade's Contribution to a More Sustainable World* [online]. Available at: http://www.fairtrade.net/fileadmin/user_upload/content/2009/resources/2010-12-31_flo-sustainability-position-paper.pdf [Accessed June 8th 2015]

Fairtrade International (2011), *Explanatory document for the Fairtrade Trade Standard* [online]. Available at: http://www.fairtrade.net/fileadmin/user_upload/content/2011-12-29_Explan_Doc_GTS_EN.pdf [Accessed May 29th 2015]

Fairtrade International (2013), *Fairtrade Theory of Change* [online]. Available at: http://www.fairtrade.net/fileadmin/user_upload/content/2009/resources/140112_Theory_of_Change_and_Indicators_Public.pdf [Accessed May 26th 2015]

Fairtrade International (2014) 'Generation Fairtrade: UK Teens want business to act more responsibly', *GlobeScan online survey of 1,000 UK teens aged 13 - 20 years old* [online]. Available at: http://www.fairtrade.org.uk/en/media-centre/news/october-2014/generation-fairtrade [Accessed June 1st 2015]

Fairtrade International (2014), *Fairtrade Cocoa in West Africa Report* [online]. Available at: http://www.fairtrade.net/fileadmin/user_upload/content/2009/resources/Fairtrade-cocoa-WestAfrica-report_2014.pdf [Accessed May 25th 2015]

Fairtrade International (2015), *FAQs: Frequently Asked Questions/ Definitions and policy/ What is the difference between fair trade and Fairtrade* [online]. Available at: http://www.fairtrade.net/faqs.html [Accessed June 15th 2015]

FAO (2004), *The state of agricultural commodity markets* [online]. Available at: ftp://ftp.fao.org/docrep/fao/007/y5419e/y5419e00.pdf [Accessed October 1st 2011]

FAO (2008), 'Trade Barriers Faced by Developing Countries' Exporters of Tropical and Diversification Products', *Information Note number 5* [online]. Available at: http://webcache.googleusercontent.com/search?q=cache:zMVOUXLAUNMJ:vi.unctad.org/resources-mainmenu-64/digital-library%3Ftask%3Ddl_doc%26doc_name%3D368-trbardev+&cd=1&hl=en&ct=clnk&gl=uk [Accessed May 30th 2015]

FAO (2013), 'Analysis of incentives and disincentives for cocoa in Ghana, MAFAP SPAAA', *Monitoring African Food and Agricultural Policies* [online]. Available at: http://www.fao.org/3/a-at551e.pdf [Accessed May 30th 2015]

Ferber, M. (1995), 'The Study of Economics: A Feminist Critique', *American Economic Review*, 85(2)

Ferber, M. and Nelson. J. (1993), *Beyond Economic Man: Feminist Theory and Economics*, Chicago: U. of Chicago Press

Flick, U. (2002), *An introduction to qualitative research*, London, Sage Publications

FloCert (2014), *Fee System Contract Production Explanatory Document* [online]. Available at: http://www.flocert.net/wp-content/uploads/2014/03/PC-FeeSysCP-ED-19-en1.pdf [Accessed June 8th 2015]

FloCert (2014), *Fee System Small Producer Organisation Explanatory Document* [online]. Available at: http://www.flocert.net/wp-content/uploads/2014/03/PC-FeeSysSPO-ED-26-en1.pdf [Accessed May 25th 2015]

Folbre, N. (1993), 'How Does She Know? Feminist Theories of Gender Bias in Economics', *History of Political Economy* Spring, 25(1), pp.167-184

Fold, N. (2002), 'Lead Firms and Competition in 'Bi-polar' Commodity Chains: Grinders and Branders in the Global Cocoa–chocolate Industry', *Journal of Agrarian Change*, 2(2), pp. 228-247

Fold, N. (2008), ‘Transnational Sourcing Practices in Ghana's Perennial Crop Sectors’, *Journal of Agrarian Change*, 8(1), pp.94-112

Fridell, G. (2003), ‘Fair trade and the International Moral Economy: Within and against the Market’, *CERLAC Working Paper Series* [online]. Available at: http://www.yorku.ca/cerlac/documents/Fridell.pdf [Accessed November 29th 2011]

Fridell, G. (2004), ‘The Fair trade Network in Historical Perspective’, *Canadian Journal of development studies*, 25(3), pp. 411-428

Fridell, G. (2006), ‘Fair trade and Neoliberalism: Assessing Emerging Perspectives’, *Latin American Perspectives*, 33(6), pp. 8-28

Gereffi, G. (1994), ‘Capitalism, development and global commodity chains’, in Sklair, L., *Capitalism and Development* (Routledge), pp. 211-231

Gereffi, G. (2011), ‘Global Value Chain Analysis and Its Implications for Measuring Global Trade’, *Global Forum on Trade Statistics Measuring global trade - Do we have the right numbers?* [online]. Available at: http://www.cggc.duke.edu/db_pubs.php [Accessed December 5th 2013]

Gereffi, G. and Christian, M. (2008), *Food Production Systems, Trade, and Transnational Corporations: A Global Value Chains Approach to Consumption and Healthy Diets*, Duke University Durham, NC / USA

Gereffi, G. and Fernandez-Stark, K. (2011), *Introduction: Global Value Chain Analysis: A Primer*, Center on Globalization, Governance & Competitiveness (CGGC), Duke University, Durham, North Carolina, USA

Gereffi, G., Humphrey, J. and Sturgeon, T. (2005), ‘The governance of global value chains’, *Review of International Political Economy*, 12(1), pp. 78-104

Gereffi, G., Humphrey, J., Kaplinsky, R. and Sturgeon, T. (2001), *Introduction: Globalisation, Value Chains and Development*, IDS Bulletin 32.3 [online]. Available at: https://www.ids.ac.uk/files/dmfile/gereffietal323.pdf [Accessed December 5th 2013]

Gibbon, P. (2001), ‘Upgrading Primary Production: A Global Commodity Chain Approach’, *World Development*, 29(2), pp.345-363

Gibbon, P. (2004), ‘Commodities, Donors, Value-Chain Analysis and Upgrading’, *Paper prepared for UNCTAD* [online]. Available at: http://ictsd.org/downloads/2008/08/gibbon.pdf [Accessed February 25th 2014]

Gibbon, P., Bair, J. and Ponte, S. (2008), ‘Governing global value chains: an introduction’, *Economy and Society*, 37(3), pp.315-338

GIZ (2012), ‘Sustainable Cocoa Forum’, *Minutes of the founding meeting* [online]. Available at: https://www.giz.de/en/downloads/giz2012-en-forum-sustainable-cocoa-founding-meeting.pdf [Accessed May 26th 2015]

Glaser, B. and Strauss, L. (1967), *The discovery of Grounded Theory: Strategies for qualitative research*, New York: Aldine de Gruyter

Goodman, D., DuPuis, E. M. and Goodman, M. K. (2011), *Alternative food networks: knowledge, place and politics*, Routledge Studies of Gastronomy, Food and Drink. Routledge, London

Granleese, M. (2009), *Market organisation and the process of economic development: The case of the partially liberalised cocoa market in Ghana*, A Thesis Submitted in partial fulfilment of the Requirements of Bournemouth University for the Degree of Doctor of Philosophy, Bournemouth University

Grosfoguel, R. and Cervantes-Rodriguez, A. (2011), *The Modern/colonial/capitalist World-systems in the Twentieth Century*, Greenwood Publishing Group, US

Haque, I. (2004), ‘Commodities under neoliberalism: The case of Cocoa’, *G-24 Discussion Paper No. 25* [online]. Available at: http://unctad.org/en/docs/gdsmdpbg2420041_en.pdf [Accessed June 1st 2015]

Harding, S. (1987), *Feminism and Methodology*, Milton Keynes: Open University Press

Harding, S. (1995), ‘Can Feminist Thought Make Economics More Objective?’ *Feminist Economics*, 1(1), pp.7-32

Henn, M., Weinstein, M. and Foard, N. (2006), *A short introduction to social research*, London, Sage Publications

Hill, M. (2003), ‘Development as Empowerment’, *Feminist Economics*, 9(2-3), pp.117-135

Hindustan Times (2012), *Betting On Causes* [online]. Available at: http://www.hindustantimes.com/mumbai/betting-on-causes/article1-945868.aspx [Accessed January 30th 2015]

Humphrey, J. and Schmitz, H. (2001), *Governance in Global Value Chains*, IDS Bulletin 32.3, Institute of Development Studies [online]. Available at: https://www.ids.ac.uk/files/dmfile/humphreyschmitz32.3.pdf [Accessed January 30th 2015]

Humphrey, J. and Schmitz, H. (2002), *Developing Country Firms in the World Economy: Governance and Upgrading in Global Value Chains*, INEF report, Heft 61 / 2002 [online]. Available at: http://inef.uni-due.de/page/documents/Report61.pdf [Accessed January 30th 2015]

Hutson, A., Biravadolu, M. and Gereffi, G. (2005), *Value Chain for the U.S. Cotton Industry*, Report Prepared for Oxfam America [online]. Available at: http://www.cggc.duke.edu/pdfs/OxfamAmerica%20Report_Cotton%20VC_MAIN_4%20March%2005.pdf [Accessed February 25th 2014]

Huybrechts, B. and Defourny, J. (2010), *Exploring the diversity of Fair Trade Social Enterprises*, EMES-European Research Network [online]. Available at: http://orbi.ulg.ac.be/bitstream/2268/69664/1/WP%20EMES%201002.pdf [Accessed February 25th 2014]

ICCO (2005) *Facts and Figures on Fairtrade Cocoa*, Consultative Board on the World Cocoa Economy, fifth meeting [online]. Available at: http://www.icco.org/about-us/international-cocoa-agreements/cat_view/30-related-documents/37-fair-trade-organic-cocoa.html [Accessed June 17th 2015]

ICCO (2012) *KPMG Cocoa Certification-Study on the costs, advantages and disadvantages of cocoa certification*, commissioned by The International Cocoa Organization (ICCO) [online]. Available at: http://www.icco.org/about-us/international-cocoa-agreements/cat_view/30-related-documents/37-fair-trade-organic-cocoa.html [Accessed May 25th 2015]

ICCO (2014), *Statement on Reports of a Cocoa Supply Deficit in 2020* [online]. Available at: http://www.icco.org/about-us/icco-news/270-icco-statement-on-reports-of-a-cocoa-supply-deficit-in-2020.html [Accessed May 24th 2015]

ICCO (2015), ‘World cocoa bean production, grindings and stocks’, *Quarterly Bulletin of Cocoa Statistics*, Vol. XLI (1) [online]. Available at: http://www.icco.org/about-us/international-cocoa-agreements/cat_view/30-related-documents/47-statistics-supply-demand.html [Accessed May 24th 2015]

IDH (2010), *Sustainable Cocoa for the Dutch Market- Analysis of the Dutch cocoa sector* [online]. Available at: http://www.idhsustainabletrade.com/site/getfile.php?id=84. [Accessed May 30th 2015]

IDS and University of Ghana (2006), *Mapping sustainable production in Ghanaian cocoa*, report to Cadbury [online]. Available at: http://www.cocoalife.org/The%20Program/Our%20Locations.aspx [Accessed January 30th 2015]

IDS and University of Greenwich (2011), *Fairtrade Cotton: Assessing Impact in Mali, Senegal, Cameroon and India*, Synthesis Report [online]. Available at: http://www.fairtrade.net/fileadmin/user_upload/content/2009/resources/2011_Fairtrade_Cotton_Assessing_Impact_in_Mali__Senegal__Cameroon_and_India__main_report.pdf [Accessed May 30th 2015]

Imhof, A. and Lee, A. (2007), *Assessing the Potential of Fairtrade for Poverty Reduction and Conflict Prevention: A Case Study of Bolivian Coffee Producers* [online]. Available at: http://www.fairtrade.at/fileadmin/user_upload/PDFs/Fuer_Studierende/Assessing_the_Potential_of_Fair_Trade_for_Poverty_Reduction_and_Conflict_Prevention.pdf?mcnts=d64d65c80b805fc0b3110ec57d0f0edf [Accessed November 29th 2011]

International Institute of Tropical Agriculture (IITA) (2015), *Sustainable Tree Crops Program* [online]. Available at: http://www.iita.org/web/stcp/home [Accessed May 25th 2015]

International Trade Centre (2013), *Improving Africa’s Cotton Value Chain for Asian Markets* [online]. Available at: www.intracen.org/Improving-Africa-Cotton-Value-Chain-for-web [Accessed February 25th 2014]

Jaffee, D. and Howard, P.H. (2009), ‘Corporate cooptation of organic and fair trade standards’, *Agriculture and Human Values*, 27(4), pp.387-399.

Jefferies, B. (2011), *Critical Realism - an empirical realist critique*, Manchester Metropolitan University Business School, Working Paper Series, Working Paper 11-03 [online]. Available at: http://www.ribm.mmu.ac.uk/wps/papers/11-03.pdf [Accessed October 25th 2013]

Jennings, A. (1993), 'Public or Private? Institutional Economics and Feminism', in Ferber, M., Nelson. J., *Beyond Economic Man: Feminist Theory and Economics*. Chicago: U. of Chicago Press.

Kaplinsky, R. (2000), 'Globalisation and Unequalisation: What Can Be Learned from Value Chain Analysis?', *The Journal of Development Studies*, 37(2), pp.117-146.

Kaplinsky, R. (2004), *Competitions Policy and the global coffee and cocoa value chains*, Paper prepared for United Nations Conference for Trade and Development (UNCTAD) [online]. Available at: http://www.uky.edu/~tmute2/geography_methods/readingPDFs/Kaplinsky-Competition-policy-and-global-value-chains.pdf [Accessed February 25th 2014]

Kaplinsky, R. and Morris, M. (2001), *A Handbook for Value Chain Research*, report to International Development Research Center, Canada [online]. Available at: https://www.ids.ac.uk/ids/global/pdfs/ValuechainHBRKMMNov2001.pdf [Accessed February 25th 2014]

Keddy, B., Sims, S. and Stern, P. (1996), 'Grounded Theory as feminist research methodology', *Journal of Advanced Nursing*, 23, pp.448-453

Kitchin, J., (1923), 'Cycles and Trends in Economic Factors', *The Review of Economics and Statistics*, 5(1), pp.10-16

Korotayev, A. (2010), 'A Spectral Analysis of World GDP Dynamics: Kondratieff Waves, Kuznets Swings, Juglar and Kitchin Cycles in Global Economic Development, and the 2008–2009 Economic Crisis, Structure and Dynamics', *eJournal of Anthropological and Related Sciences* [online]. Available at: http://www.escholarship.org/uc/item/9jv108xp#page-10 [Accessed January 20th 2014]

Lahankar, M. (2014) *Interview questionnaire*. [E-mail]. Message to: Lahankar, A. 16 May 2014.

Lawson, T. (1997), *Economics and reality*, London, Routledge.

Lawson, T. (2006) 'The Nature of Heterodox Economics', *Cambridge Journal of Economics*, 30(4), pp. 483-505

Le Mare, A. (2008), 'The Impact of Fair Trade on Social and Economic Development: A Review of the Literature', *Geography Compass*, 2, pp. 1922-1942

Leclair, M. S. (2002), 'Fighting the Tide: Alternative trade organizations in the era of global free trade', *World Development*, 30(6), pp. 949-58

Leedy, P. (1997), *Practical Research: Planning and Design*, Sixth Edition, New York: Macmillan.

M&S (2010), *Our Plan A Commitments 2010 – 2015* [online]. Available at: http://corporate.marksandspencer.com/plan-a/85488c3c608e4f468d4a403f4ebbd628 [Accessed June 6th 2015]

M&S (2013), *About Plan A* [online]. Available at: http://plana.marksandspencer.com/about [Accessed October 25th 2013]

M&S (2013), *Fair Partner* [online]. Available at: http://plana.marksandspencer.com/we-are-doing/fair-partner [Accessed October 25th 2013]

M&S (2013), *Make Plan A how we do business* [online]. Available at: http://planareport.marksandspencer.com/review-of-the-year/make-plan-a-how-we-do-business [Accessed October 25th 2013]

M&S (2014), *Your M&S Plan A Report 2014* [online]. Available at: http://planareport.marksandspencer.com/downloads/M&S-PlanA-2014.pdf [Accessed January 30th 2015]

M&S (2015), *Plan A Report 2015* [online]. Available at: http://planareport.marksandspencer.com/M&S_PlanAReport2015_Overview.pdf [Accessed June 6th 2015]

M&S Corporate Presentation (2005), *Fairtrade in the Mainstream* [online]. Available at: http://webcache.googleusercontent.com/search?q=cache:u2fZoMtT5zIJ:www.fdin.org.uk/output/Fairtrade/Fairtrade%2520In%2520The%2520Mainstream%2520-%2520Marks%2520%26%2520Spencer.pps+&cd=9&hl=en&ct=clnk&gl=uk [Accessed June 6th 2015]

Marrewijk, V.M. (2003), 'Concepts and Definitions of CSR and Corporate Sustainability: Between Agency and Communion', *Journal of Business Ethics*, 44(2/3), pp. 95-105

McMichael, P. (2000), ‘World-systems Analysis, Globalisation and Incorporated Comparison’, *Journal of world-systems research*, 4(3), pp. 68-99

Mearman, A. (2011), ‘Who Do Heterodox Economists Think They Are?’, *American Journal of Economics and Sociology*, 70(2), pp. 480–510

Mies M. (1993), ‘Towards a Methodology for Feminist Research’, in M. Hammersley, *Social Research Philosophy, Politics and Practice*, London: Sage, pp. 64-82

Moore, G. (2004), ‘The Fair trade Movement: Parameters, Issues and Future Research’, *Journal of Business Ethics,* 53, pp. 73-86

Nelson, J. (1995), ‘Feminism and Economics’, *Journal of Economic Perspectives*, 9(2), pp. 131-148

Nelson, J. (1996), ‘What Is Feminist Economics All About?’, Interview in *Challenge*, 39(1), pp. 4-8

Nelson, J. (2001), ‘Economic methodology and feminist critiques’, *Journal of Economic Methodology*, 8(1), pp. 93-97

Nelson, V., Opoku, K., Martin, A., Bugri, J. and Posthumus, H. (2013), *Assessing the poverty impact of sustainability standards: Fairtrade in Ghanaian cocoa* [online]. Available at: https://fairtradekookboek.files.wordpress.com/2013/12/apiss-fairtradeinghanaiancocoa.pdf [Accessed May 30th 2015]

Nieburg, O. (2013), *Cocoa genetics: Mars unlocks sequence to higher yields and tastier chocolate* [online]. Available at: http://www.confectionerynews.com/Commodities/Cocoa-genetics-Mars-unlocks-sequence-to-higher-yields-and-tastier-chocolate [Accessed May 25th 2015]

Nieburg, O. (2014), *One standard to bind them: Sustainable cocoa framework to go live in 2016* [online]. Available at: http://www.confectionerynews.com/Commodities/ISO-CEN-sustainable-cocoa-standard-due-for-2016 [Accessed May 26th 2015]

No Nasties (2015), *About us* [online]. Available at: http://www.nonasties.in/pages/story [Accessed June 7th 2015]

Oakley, A. (1998), ‘Gender, Methodology and People's Ways of Knowing: Some Problems with Feminism and the Paradigm Debate in Social Science’, *Sociology*, 32, pp. 707-31

Oliver, C. (2011), 'Critical Realist Grounded Theory: A New Approach for Social Work Research', *British Journal of Social Work*, 42, pp. 371-387

Owens, J. (2011), *An Introduction to Critical Realism as a Meta-Theoretical Research Perspective*, Centre for Public Policy Research, Working Papers Series, Paper No: 1 [online]. Available at: http://www.kcl.ac.uk/sspp/departments/education/research/cppr/workingpapers/Paper-1.pdf [Accessed January 28th 2014]

Oxfam (2002), 'The cocoa market: A background study', background paper to Oxfam's *Rigged Rules and double standards: Trade, globalisation, and the fight against poverty* [online]. Available at: http://www.maketradefair.com/assets/english/CocoaStudy.pdf [Accessed October 1st 2011]

Oxfam (2002), *Rigged Rules and double standards: Trade, globalisation, and the fight against poverty* [online]. Available at: http://www.maketradefair.com/assets/english/report_english.pdf [Accessed October 1st 2011]

Oxford Policy Management and International Institute for Environment and Development (2000), *Fair Trade: Overview, Impact, Challenges*, Study to inform DFID's support to Fair Trade [online]. Available at: http://portals.wi.wur.nl/files/docs/ppme/ACF3C8C.pdf [Accessed October 26th 2011]

Pan, J., Chu, C, Zhao, X., Cui, Y. and Voituriez, T. (2008), *Global Cotton and Textile Product Chains Identifying challenges and opportunities for China through a global commodity chain sustainability analysis* [online]. Available at: http://www.iisd.org/pdf/2008/china_sd_cotton.pdf [Accessed February 25th 2014]

Peirce, C.S. (1903), 'Pragmatism as a Principle and Method of Right Thinking', *the 1903 Harvard Lectures on Pragmatism*, State University of New York Press, Albany, New York

Pratschke, J. (2003), 'Realistic Models? Critical Realism and Statistical Models in the Social Sciences', *Philosophica*, 71, pp. 13-38

Punch, K. (2005), *Introduction to social research: Qualitative and quantitative approaches*, London, Sage Publications

Ragin, C. (1994), *Constructing Social Research*, London, Pine Forge Press.

Raikes, P., Friis Jensen, M. and Ponte, S. (2000), 'Global commodity chain analysis and the French filière approach: comparison and critique', *Economy and Society*, 29(3), 390-417

Raynolds, L. (2002), 'Consumer /producer links in fair trade coffee networks', *Sociologia Ruralis*, 42(4), pp. 404-424

Raynolds, L. T. (2004), 'Fair Trade Coffee: Building producer capacity via global networks', *Journal of International Development*, 16, pp. 1109-21

Reeves, S., Albert, M., Kuper, A. and Hodges, B. (2008), 'Qualitative Research: Why Use Theories in Qualitative Research?', *British Medical Journal*, 337(7670) , pp. 631-634

Renard, M. (2003), 'Fair Trade: Quality, market and conventions', *Journal of Rural Studies*, 19, pp. 87-96

Rieple, A. and Singh, R. (2010), 'A Value Chain Analysis of the Organic Cotton Industry: The case of UK Retailers and Indian Suppliers', *Ecological Economics*, 69, 2292-2302

Roberts, N. and Bradley, R. (1999), *Research Methodology for New Public Management*, Draft of Paper to be presented at the International Public Management Network workshop in Siena, Italy [online]. Available at: http://www.rrojasdatabank.info/roberts.pdf [Accessed 26th February 2014).

Ronchi, L., 2005, *Fair Trade and market failures in international commodity trade*, A Thesis Submitted in partial fulfilment of the Requirements of the University of Sussex for the Degree of Doctor of Philosophy, University of Sussex

Ryan, O. (2011), *Chocolate Nations: Living and Dying for cocoa in West Africa*, Zed Books, London

Sadashivappa, P. and Qaim, M. (2011), 'Bt Cotton in India: Development of Benefits and the Role of Government Seed Price Interventions', *The journal of Agrobiotechnology Management & Economics*, 12(2), Article 3

Scheyevens, R. and Storey, D. (2003), *Development Fieldwork: A practical guide*, London, Sage Publications

Scholte, J. (2005), *The sources of neoliberal globalisation*, United Nations Research Institute for Social Development, Overarching Concerns Programme Paper Number 8 [online]. Available at: http://wh.agh.edu.pl/other/materialy/678_2015_04_09_16_04_59_The%20Sources%20of%20Neoliberal%20Globalization.pdf [accessed June 15th 2015]

Seawright, J. and Gerring, J. (2008), 'Case Selection Techniques in Case Study Research: A Menu of Qualitative and Quantitative Options', *Political Research Quarterly*, 61(294)

Shreck, A. (2005), 'Resistance, redistribution, and power in the Fair Trade banana initiative', *Agriculture and Human Values*, 22, pp. 17-29

Singer, H. (1950), 'The Distribution of Gains between Investing and Borrowing Countries', *The American Economic Review*, 40(2), pp. 473-485

Smith, S. (2008), *For love or money? Fairtrade business models in the UK supermarket sector*, Paper prepared for the 3rd Fair Trade International Symposium, Montpellier, France [online]. Available at: https://www.ids.ac.uk/files/dmfile/SmithFTIS2008supermarketFT.pdf [Accessed January 16th 2011]

Social Enterprise Coalition (2011), *Divine Chocolate Company* [online]. Available at: http://www.socialenterprise.org.uk/pages/divine-chocolate-company.html [Accessed January 16th 2011]

Solidaridad (2013), *Solidaridad West Africa: Making the case-Cocoa: The way forward* [online]. Available at: http://www.solidaridadnetwork.org/regions/west-africa [Accessed May 30th 2015]

Solidaridad (2015), Solidaridad-About [online]. Available at: http://www.solidaridadnetwork.org/about [Accessed May 25th 2015]

SSI (2014), *The state of sustainability initiatives review: Standards and the Green Economy* [online]. Available at: https://www.iisd.org/pdf/2014/ssi_2014.pdf [Accessed June 8th 2015]

Stanley L. and Wise, S. (1983), *Breaking Out: Feminist Consciousness and Feminist Research*, London: Routledge & Kegan Paul

Strassman, 1993, 'Not a Free Market: The Rhetoric of Disciplinary Authority in Economics', in Ferber, M. and Nelson. J. *Beyond Economic Man: Feminist Theory and Economics*. Chicago: U. of Chicago Press

Talbot, J. (2002), 'Tropical Commodity Chains, Forward Integration Strategies and International Inequality: Coffee, Cocoa and Tea', *Review of International Political Economy*, 9(4), pp. 701-734

Tallontire, A.M, Opondo, M., Nelson, V. and Martin, A. (2009), 'Beyond the vertical? Using value chains and governance as a framework to analyse private standards initiatives in agri-food chains', *Agric Hum Values*, 28, pp. 427-441

Tallontire, A.M. (1999), *Making Trade Fair? An examination of the relationship between Cafedirect and a coffee co-operative in Tanzania*, A Thesis Submitted in partial fulfilment of the Requirements of the University of Bradford for the Degree of Doctor of Philosophy, University of Bradford

Temperley, A. (2013), *The Feminist Perspectives on Power* [online]. Available at: http://www.e-ir.info/2013/03/13/what-have-feminist-perspectives-contributed-to-our-understanding-of-power-in-the-discipline-of-international-relations [Accessed February 23rd 2014]

The Guardian (2011), *Can the Better Cotton Initiative transform the global textile industry?* [online]. Available at: http://www.theguardian.com/sustainable-business/blog/cotton-sustainable-textile [Accessed June 8th 2015]

The Guardian (2012), *Is H&M the new home of ethical fashion?* [online]. Available at: http://www.theguardian.com/business/2012/apr/07/hennes-mauritz-h-and-m [Accessed January 30th 2015]

The Guardian (2013), *Economics students aim to tear up free-market syllabus* [online]. Available at: http://www.theguardian.com/business/2013/oct/24/students-post-crash-economics [Accessed June 21st 2015]

The Guardian (2014), *India's farmer suicides: are deaths linked to GM cotton* [online]. Available at: http://www.theguardian.com/global-development/gallery/2014/may/05/india-cotton-suicides-farmer-deaths-gm-seeds [Accessed January 30th 2015]

Tiffen, P. (2002), 'A Chocolate-Coated Case for Alternative International Business Models', *Development in Practice*, 12(3/4), pp. 383-397

Traidcraft (2009), *Case Study-Development of Fairtrade Cotton in India* [online]. Available at: http://www.traidcraft.co.uk [Accessed February 26th 2013]

Traidcraft (2013), *Traidcraft* [online]. Available at: http://www.traidcraft.co.uk [Accessed 26 February 26th 2013]

Tulsian, M. (2014), ‘Profitability Analysis: A comparative study of SAIL & TATA Steel’, *IOSR Journal of Economics and Finance*, 3(2), ver. I, pp. 19-22

Twin, (no date), *Empowering Women Farmers in Agricultural Value chains*, Twin Brochure on the basis of assessment carried out by Twin

UNCTAD (1997), *World Investment Report: Transnational Corporations, Market Structure and Competition Policy* [online]. Available at: http://unctad.org/en/docs/wir1997_en.pdf [Accessed May 3rd 2016]

UNCTAD (2006), *World Investment Report: Global partnership and national policies for development* [online]. Available at: http://unctad.org/en/docs/wir2006_en.pdf [Accessed May 3rd 2016]

UNCTAD (2007), *World Investment Report: Transnational Corporations, Extractive Industries and Development* [online]. Available at: http://unctad.org/en/docs/wir2007_en.pdf [Accessed May 3rd 2016]

UNCTAD (2008), *Cocoa Study: Industry Structures and Competition* [online]. Available at: http://unctad.org/infocomm/comm_docs/docs/official/ditccom20081.en.pdf [Accessed October 1st 2011]

UNCTAD (2010), *Integrating Developing Countries’ SMEs into Global Value Chains* [online]. Available at: http://unctad.org/en/docs/diaeed20095_en.pdf [Accessed February 25th 2014]

UNCTAD (2011), *World Investment Report: Non-equity modes of International Production and Development* [online]. Available at: http://unctad.org/en/Pages/DIAE/World%20Investment%20Report/WIR2011_WebFlyer.aspx [Accessed May 3rd 2016]

UNCTAD (2013), *World Investment Report: Global Value Chains: Investment and Trade for Development*, United Nations Publication, New York

UNCTAD (2015), *World Investment Report: Reforming International Investment Governance* [online]. Available at: http://unctad.org/en/PublicationsLibrary/wir2015_en.pdf [Accessed May 3rd 2016]

UNIDO (2003), The Global Apparel Value Chain: What prospects for Upgrading by Developing Countries [online]. Available at: https://www.unido.org/fileadmin/user_media/Publications/Pub_free/Global_apparel_value_chain.pdf [Accessed June 11th 2015]

UNIDO (2006), Global value chains in the agrifood sector [online]. Available at: https://www.unido.org/fileadmin/import/60026_01_global_value_chains_agrifood_sector.pdf [Accessed June 2nd 2015]

Wallerstein, I. (1974), *Modern World-systems I: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*, New York, Academic Press. Warner, W.L

Wallerstein, I. (1995), 'The Modern World-systems and evolution', *Journal of World Systems Research*, 1(19)

Walters, B. and Young, D. (2001), 'Critical Realism as a Basis for Economic Methodology: A critique', *Review of Political Economy*, 13(4), pp. 483-501

Wilson, M. (2003), 'Corporate Sustainability: What is it and where does it come from?', *Ivey Business Journal* [online]. Available at: http://elearning.rnhrealties.com/wp-content/uploads/2012/04/cs-article_2.pdf [Accessed May 22nd 2015]

World Cocoa Foundation (2012), *Cocoa Market Update* [online]. Available at: http://worldcocoafoundation.org/wp-content/uploads/Cocoa-Market-Update-as-of-3.20.2012.pdf [Accessed February 22nd 2014]

World Cocoa Foundation (2014), Cocoa Market Update [online]. Available at: http://worldcocoafoundation.org/wp-content/uploads/Cocoa-Market-Update-as-of-4-1-2014.pdf [Accessed May 24th 2015]

World Cocoa Foundation, 2015, *Cocoa Action* [online]. Available at: http://worldcocoafoundation.org/about-wcf/cocoaaction/ [Accessed June 2nd 2015]

Wuest, J. (1995), ‘Feminist Grounded Theory: An Exploration of the Congruency and Tensions between Two Traditions in Knowledge Discovery’, *Qualitative Health Research*, 5(125)

Wuest, J. and Merritt-Gray, M. (2001), ‘Feminist Grounded Theory revisited: Practical Issues and new understanding’, chapter 8 in Schreiber, Noeranger-Stern *Using Grounded Theory in Nursing*, Springer Publishing Company, New York

Yeung, H. (1997), ‘Critical realism and realist research in human geography: a method or a philosophy in search of a method?’, *Progress in Human Geography*, 21(1), pp. 51-74

Yin, R. (1994), *Notes: Case Study Research: Design and Methods*, Second edition, Thousand Oaks: Sage

Yin, R. (2009), *Case Study Research: Design and Methods*, Fourth edition, USA, Sage Publications

York, R. and Ergas, C. (2011), ‘Women’s status and world-systems position: An exploratory analysis’, *American Sociological Association*, 17(1), pp.147-164

Appendices

1. List of Interviewees

Interviewee Reference Number	Title/ Organisation	Date
UK Interviews		
1	Director of Policy-FTO	10/03/2014
2	Programme Manager-Kuapa Kokoo-Divine GVC	10/03/2014
3	Board Director-FTO	18/03/2014
4	Cocoa sustainability manager-Major Retailer	20/03/2014
5	Manager-FT Foundation	20/03/2014
6	Sustainable materials specialist-Major retailer	24/03/2014
7	Ex-Chair-FTO	27/03/2014
8	Board member-FTO	31/03/2014
9	Ex-Sustainability Director-Major chocolate Brand/manufacturer/current CEO of a cotton sustainability consulting firm	31/03/2014
10	Senior manager-FT Foundation	01/04/2014
11	Ex-Sustainability Director-Major chocolate Brand/manufacturer	04/04/2014
12	Ex-chair-FTO	04/04/2014
13	Independent FT consultant	11/04/2014
14	Head of sales & marketing-International trader	14/04/2014
15	Sustainable materials specialist-Major retailer	23/04/2014
16	Senior Lecturer: Business, Environment & Corporate Responsibility-University of Leeds	24/04/2014
17	Director-Cocoa Life-Mondelez GVC	06/05/2014
18	Marketing manager-Cocobod	02/05/2014
19	Manager-Cocoa Life-Mondelez GVC	08/05/2014
20	Research officer-IDS	22/05/2014
21	Head of Business Development-Major garment manufacturer	22/05/2014
22	Professor of Strategic Management-University of Westminster	11/06/2014
23	Product Manager-Shop for Change	14/06/2014
Ghana Interviews		
24	Executive logistics assistant-Prominent LBC	25/06/2014
25	Ex-manager involved in FT-Oxfam	27/06/2014

26	Head of Sustainability-Armajaro	02/07/2014
27	Certification Manager & Deputy-Armajaro	02/07/2014
28	Programme Manager-Cocoa Life-Mondelez GVC	02/07/2014
29	Project facilitator & District Lead-Cocoa Life-Mondelez GVC	02/07/2014
30	Farmers-Ashanti region	03/07/2014
31	Farmers and purchasing agents-Ashanti region	03/07/2014
32	Corporate responsibility & sustainability head of cocoa-Prominent LBC	04/07/2014
33	Logistics manager-Major cocoa processor/trader	04/07/2014
34	Founder-Cotton FTO	09/07/2014
35	Director-Cocobod	10/07/2014
36	Professor of Agricultural Economics and Agribusiness-University of Ghana	11/07/2014
37	Marketing Manager-CMC	11/07/2014
38	Executive manager to the CEO-Cocobod	11/07/2014
39	Head of Farmers Cooperative in Amansie West district-Cocoa Life-Mondelez GVC	11/07/2014
40	Ambassador-Cocoa Life	11/07/2014
41	Cocoa program officer-Solidaridad	18/07/2014
42	Technical advisor-World Cocoa Foundation	18/07/2014
43	National Chief Farmer-Farmers' Association	21/07/2014
44	Operations manager-Produce Buying Company (PBC)	21/07/2014
45	Head of Programme-Cocoa Life	22/07/2014
46	Deputy marketing manager-Cocoa Processing Company (CPC)	22/07/2014
47	Manager-Fairtrade International	23/07/2014
India Interviews		
48	Head-Central Institute for Research on Cotton Technology	05/08/2014
49	Deputy General Manager-Cotton Corporation of India	05/08/2014
50	CEO-Major cotton seed trader	06/08/2014
51	Project manager-Agrocel-M&S GVC	07/08/2014
52	Director-Ministry of Agriculture: Department of Cooperation	08/08/2014
53	Cotton industry consultant	08/08/2014
54	CEO-cotton FTO	11/08/2014
55	Deputy Director & Senior Scientific Officer-Institute for Rural Industrialisation	12/08/2014

56	Cotton farmers-Nagpur, Maharashtra	12/08/2014
57	Ginner and farmers-Nagpur, Maharashtra	12/08/2014
58	Owner-Ginning business	12/08/2014
59	Head-Cotton farmer association	12/08/2014
60	Director-Institute for Rural Industrialisation	13/08/2014
61	Quality assurance manager-Vertically integrated manufacturer	13/08/2014
62	President & owner-Vertically integrated manufacturer	13/08/2014
63	CEO-Fairtrade India	14/08/2014
64	General manager-Vertically integrated manufacturer	21/08/2014
65	Managing director & senior vice president of marketing-Vertically integrated manufacturer	21/08/2014
66	CEO of No Nasties	26/08/2014
67	Manager-Fairtrade International	28/08/2014
68	Director-Bombay Textiles Research Association	28/08/2014
69	Project manager-Agrocel-M&S GVC	29/08/2014
70	Sustainability assistant manager-Vertically integrated manufacturer	30/08/2014

2. Contributions to Corporate Sustainability

- **Sustainable Development** – It is a broad concept that balances the need for economic growth with environmental protection and social equity, and was described as ''*development that met the needs of present generations without compromising the ability of future generations to meet their needs*'' (Wilson, 2003; p.1).
- **Corporate Social Responsibility (CSR)** – It is also a broad concept that has been around much longer than sustainable development or the other concepts. It deals with the role of business in society through the ethical obligation that corporate managers have to consider and address the needs of society. This involves not just to solely act in the interests of the shareholders or their own self-interest.
- **Stakeholder theory –** The basic premise is that the stronger your relationships are with external parties, the easier it will be to meet your business objectives through developing a competitive advantage.
- **Corporate Accountability** – It's the legal or ethical responsibility to provide an account of the actions for which one is held responsible. It differs from responsibility in that the latter refers to the duty to act in a certain way, whereas accountability refers to the duty to explain, justify or report on actions (ibid).

3. Marrewijk's (2003) Corporate Sustainability ambition levels

- **Compliance-driven** – Consists of providing welfare to society, within the limits of regulations from the rightful authorities. In addition, organisations might respond to charity and stewardship considerations. The motivation for corporate sustainability is that it is perceived as a duty and obligation, or correct behaviour.
- **Profit-driven** – Consists of the integration of social, ethical and ecological aspects into business operations and decision-making, provided it contributes to the financial bottom line. The motivation here is a business case and corporate sustainability is promoted only if it is profitable, for example because of an improved reputation.
- **Caring** – Consists of balancing economic, social and ecological concerns, which are all three important in themselves. The initiatives go beyond legal compliance and profit considerations. The motivation is that human potential, social responsibility and care for the planet are as important.
- **Synergistic** – Consists of well-balanced solutions that create value in the economic, social and ecological realms of corporate performance, in a synergistic approach with all stakeholders. The motivation is that sustainability is important in itself, especially because it is recognised as being the inevitable direction progress takes.
- **Holistic** – Fully integrated and embedded in every aspect of the organization, aimed at contributing to the quality and continuation of life of every being and entity, now and in the future. The motivation is that sustainability is the only alternative since all beings and phenomena are mutually interdependent. Each person or organization therefore has a universal responsibility towards all other beings (Marrewijk, 2003).

4. Stages of cocoa/chocolate processing and by-products

According to UNCTAD (2008), the industry differentiates between cocoa processing (upstream) and chocolate manufacturing (downstream).

Cocoa processing (upstream) covers the activities needed to convert cocoa beans into semi-finished cocoa products (cocoa paste/liquor, cocoa butter and cocoa powder). It includes three major processing stages: (i) the roasting of cocoa beans; (ii) the grinding of cocoa beans to make cocoa liquor; (iii) the pressing of cocoa liquor to extract cocoa butter and produce cocoa powder. Chocolate manufacturing (downstream) refers to the blending and further processing of cocoa butter and cocoa paste/liquor – and other ingredients, as well – into chocolate. The trade distinguishes between two segments: the manufacture of couverture, or industrial chocolate (the material from which consumer chocolate is made); and the manufacture of consumer products containing chocolate.

Overall, it is possible to identify four major product categories based on different stages of processing, namely:

1. Cocoa beans (raw, or minimally processed)
2. Semi-finished cocoa products (cocoa paste/liquor, cocoa butter, cocoa powder)
3. Couverture, or industrial chocolate
4. Finished chocolate products

5. Costs of Fairtrade certification for Small Producer Organisations

Certification Fees	Description	Price
Application	A non-refundable fee that covers the initial application process and all future applications	€ 525
Initial Certification	An initial certification fee charged for the first audit	Members<50= € 1,466, Members>1000=€ 3,557 Additional Product=€ 184 Processing Installation= € 215-635 Subcontracted Entity=€ 307
Annual Certification	Following certification, producers pay an annual certification fee beginning in year two.	Members<50= € 1,199, Members>1000=€ € 2,839 Additional Product=€ 184 Processing Installation= € 92-369 Subcontracted Entity=€ 307
Modification of certification fee	A cooperative's costs of compliance vary depending on the changes they need to meet the Fairtrade standards	Producers exporting for other producers=additional 15% If established audit costs are exceeded=daily rate is 358€ If Fairtrade products have been traded prior to the issuing of the Permission To Trade=Max of €5000

Source: Adapted from Fairtrade International (2014), FloCert (2014)

6. Costs of Fairtrade certification for Contract Production

Certification Fees	Description	Price
Application	A non-refundable fee that covers the initial application process and all future applications	€ 538
Initial Certification	An initial certification fee charged for the first audit applicable to: A. Promoting body B. Group members of the producer organisation	A. Promoting Body= € 1,568 B. Members<50= € 943, Members>1000=€ 1,784 Additional Product=€ 184 Processing Installation= € 215-635 Subcontracted Entity=€ 307
Annual Certification	Following certification, producers pay an annual certification fee beginning in year two applicable to: A. Promoting body B. Group members of the producer organisation	A. Promoting Body= € 1,199 B. Members<50= € 738, Members>1000=€ € 1,281 Additional Product=€ 184 Processing Installation= € 92-369 Subcontracted Entity=€ 307
Modification of certification fee	Costs of compliance vary depending on the changes they need to meet the Fairtrade standards	Producers exporting for other producers=additional 15%, If established audit costs are exceeded=daily rate is 358€ If Fairtrade products have been traded prior to the issuing of the Permission To Trade=Max of €5000

Source: Adapted from FloCert (2014)