



How Private Programs Have Developed to Certify Social and Environmental Standards in Local and Global Commodity Markets

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At the grocery store, a consumer who cares about the environment or the wellbeing of workers can choose to buy “fair trade” certified coffee. And this is but one of many examples, because recent decades have witnessed a tremendous growth of private, nongovernmental programs in which nonprofit organizations or businesses form certifying associations to set and enforce standards for responsible economic activities. Consumer product sectors like tea and coffee are not the only ones involved. Many other programs also exist, from those certifying responsible practices of production for agricultural commodities such as palm oil and soy to those certifying the sound appropriation of precious metals, forest products, and fish. In today’s global economy, certification programs have become important sources of rules directing how goods are produced and services are delivered. In some sectors such as coffee, certified producers have secured double-digit market shares.

How Certification Programs Vary

As instruments of global governance, certification programs share many features but also vary in important ways. Some programs are designed to involve many stakeholders in setting and carrying out standards for the commodity in question, while others greatly limit access to such rule-making processes. Economic sectors also vary a lot in terms of the number and type of certification programs that have emerged, with some sectors brimming with competing and complementary programs, while others have hardly any certification programs in place.

My research looks closely at certification programs in three sectors of production – coffee, fisheries, and forest products – to document variations and probe their causes and consequences. I sought answers to three sets of questions:

- **What varied styles of certification have emerged?** Why, for instance, did the Forest Stewardship Council adopt an inclusive approach to membership, whereas the Marine Stewardship Council has been much less open to stakeholder involvement? Overall, I seek to explain variations in the openness of program governance, along with variations in the scope and domain of standards (are the rules narrow or broad and what actors do they target?) and in the original local versus global scope of various programs. Global programs are ones that immediately developed standards and certification procedures for operators anywhere in the world.
- **Did early choices have enduring effects?** Did formative steps affect later developmental potentials, and did they shape conflicts over different visions of what a program should try to accomplish? For

instance, did open membership rules or a local start-up process make it easier or harder for a program to evolve into a dominant private governor in a given sector?

- **What explains variations in sector fragmentation?** I aim to explain the greater multiplicity of certification programs in certain sectors. Why did six programs develop in the fisheries sector and five programs in coffee, compared to just two in the forestry sector?

The Implications of Early Choices

Formative choices did matter, especially as they interacted with early patterns of market demand for certified products. Programs that started with a local focus, defined narrowly focused standards, and created immediate market buzz took longer to become global governors and left their sector open to a proliferation of additional certification programs. In this scenario, early adopters of a given kind of certification – such as a fishery certifying with the Marine Stewardship Council or a forest operator certifying with the Forest Stewardship Council – had strong market incentives to resist expanding the program to others, for fear that expansion would erode their competitive advantage over non-certified operators. But if the early program was too slow to expand, then other certification programs could form, sometimes as competitors and at other times as complements to the original program.

Take fair trade coffee as an example. Launched in the Netherlands in the late 1980s, this initiative focused only on small cooperative coffee growers and aimed to improve their market standing. The new kind of certified coffee did well with consumers, creating opportunities to expand the program into a global effort. But internal resistance to change hampered this potential expansion. A global program was not necessarily in the interest of all early cooperative producer participants, and supporters of various national fair trade initiatives had different ideas about what a global program ought to address. Should it expand to include coffee produced on plantations, for instance? The original focus on cooperative producers alone left the door open for the emergence of *Utz Certified*, a competing certification program that focuses on all forms of coffee production, including plantation production. Additional, even stronger evidence is provided by the recent decision of Fair Trade USA to pull out of the international organization coordinating fair trade labeling, because the U.S. group wants to begin certifying plantation coffee. As a result, still another coffee program is developing.

Overall, my study shows that tracing the roots of certification programs and probing the politics surrounding their emergence and growth can help us understand contemporary events such as the decision of Fair Trade USA to break from Fair Trade International. In this instance and many others, current conflicts and turning points have their roots in earlier paths of development.

What is more, understanding the different development paths taken by existing certification programs casts new light on what this kind of voluntary governance can accomplish. We learn about the strengths and weaknesses, accomplishments and failures of various sorts of commodity certification programs. That matters, because many pressing issues of global governance are unlikely to be addressed through formal, comprehensive international treaties. Because businesses and nonprofits will have to cooperate to accomplish what national governments and inter-state agreements cannot, we need clear-eyed understandings of the role commodity certification programs can play in regulating and upgrading today's global markets.

Read more in Graeme Auld, *Constructing Private Governance: The Rise and Evolution of Forest, Coffee, and Fisheries Certification* (Yale University Press, 2014).