

SECTION I

EXECUTIVE SUMMARY

The second annual Report on Fair Trade Trends provides an overview of the Fair Trade movement in North America (the U.S. and Canada), and the Pacific Rim (Australia, New Zealand and Japan). The report details the industry structure, sales, product sourcing, employment, Fair Trade monitoring, certification and labelling, services to producers, and advocacy.

- **Total sales** for the fair trade industry in North America in 2002 were \$180m, an increase of 44 % from 2001. Sales in the Pacific Rim for the period were \$70.6m, a growth rate of 23%. Combining the two regions, total sales of the fair trade industry increased 37% during 2002, from \$183m to \$251m.

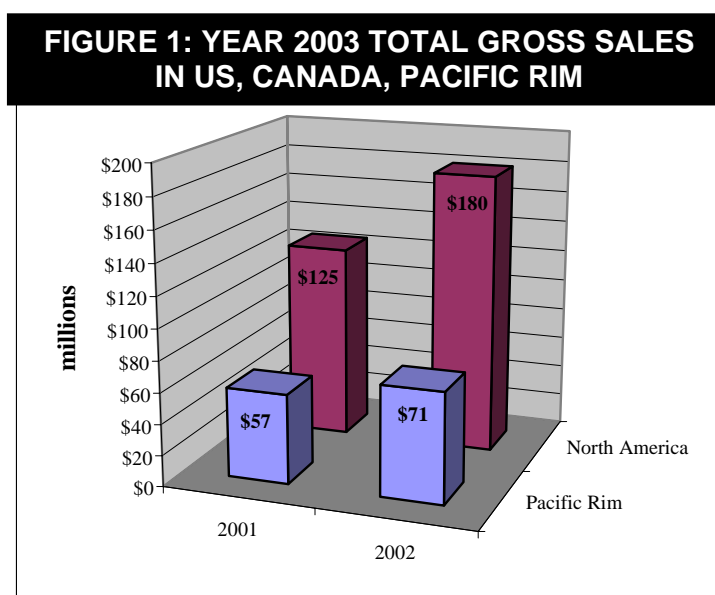


FIGURE 2: TOTAL SALES OF FAIR TRADE INDUSTRY NORTH AMERICA AND PACIFIC RIM 2001 & 2002

		2001	2002	% change
North America	FTF & IFAT members	\$48.2m	\$56.2m	16.6%%
	TransFair USA	\$85.6m	\$131m	53%
	TransFair Canada	\$5.4m	\$9.1m	68.5%
	Total	\$139.2m	\$196.3m	41%
	Less FTF member coffee sales (29%)	\$14m	\$16.3m	
Total (excludes double counting)		\$125.2m	\$180m	43.8%
Pacific Rim	IFAT members	\$9.9m	\$11.3m	13.9%
	TransFair Japan	\$47.8m	\$59.6m	24.7%
	Total	\$57.1	\$70.1m	22.2%
	Less Japanese IFAT member coffee sales (5.25%)	\$0.23m	\$0.28m	
Total		\$57.5m	\$70.6m	22.9%
Grand Totals for both Regions		\$182.7m	\$250.6m	37.2%

- The fair trade **product** with the most significant increase in sales in 2002 was coffee. The highest proportion of FTF members' sales in 2002 came from certified fair trade coffee, 29% of total sales or \$16.3m. Of TransFair USA's products, coffee sales had the most significant increase during the year 2002, 54%, followed by tea with 44%. There are approximately 12,000 outlets in the USA where fair trade labelled products can be purchased. In 2002 the net retail value of coffee sold under the TransFair label in the U.S. increased by 53% from \$85.6m to \$131m. For TransFair Canada, the value of coffee sold under its label increased by 69% from \$5.4m to \$9.1m and for TransFair Japan, the increase was 25%, from an estimated \$48m to \$59.6m. License fees from certified coffee sales for TransFair Canada grew 54% during 2002, from \$5.4m to \$8.4.
- The **volume of coffee** certified by TransFair USA, TransFair Canada and TransFair Japan in 2002 was 10.66m lbs, an increase of 54% from 2001. The US lead with 9.7m lbs, Canada followed with 937,000 lbs. and Japan accounted for 21,000 lbs.
- The **producer regions** most important to the North American fair trade industry in 2002 were Asia, for FTF & IFAT members (46% of the value of FTF member purchases and 72% for IFAT members) and Central America/Caribbean (including Mexico) for TransFair USA. Asia was also the most important producer region for Fair Trade companies in the Pacific Rim.
- The **number of people employed** by the Fair Trade companies (FTF and IFAT members) and agencies (the FLO agencies) surveyed in this report in North America and the Pacific Rim was approximately 3,260 in 2002, with 2,580 in North America and 682 in the Pacific Rim (not including TransFair Japan). Approximately 68% of these were volunteers and 32% were full or part-time employees.
- **Future Trends:** FTF members expect a growth in sales of approximately 26% in 2003 to \$70.8m, particularly in sales of coffee, cocoa, toys, tea, chocolate and jewellery. TransFair USA expects the retail value of certified fair trade coffee available in the US to increase by up to 29% nearing \$168m. For 2003 TransFair Canada expects the sales value of its certified coffee to increase by 55% to reach \$14m and TransFair Japan is predicting its certified coffee to increase by 80%, or approximately \$107m in retail sales value, while their certified tea sales could increase by 20% in 2003. Many FTF companies commented positively on growing consumer awareness of the fair trade movement and the positive impact this had on the industry.

SECTION II

WHAT IS FAIR TRADE?

The Fair Trade movement is a global network of producers, traders, marketers, advocates and consumers focused on building equitable trading relationships between consumers and the world's most economically disadvantaged artisans and farmers.

About the producers of this report

The 2003 Report on Trends in Fair Trade is jointly produced by the Fair Trade Federation (FTF) and the International Federation for Alternative Trade (IFAT).

□ Fair Trade Federation

The Fair Trade Federation (FTF), based in the Washington D.C., is a trade association of fair trade importers, wholesalers, retailers and producers, whose members are committed to providing fair wages and good employment opportunities to economically disadvantaged artisans and farmers worldwide. FTF also acts as a clearinghouse for information on fair trade and provides resources and networking opportunities for its members.

□ International Federation for Alternative Trade

The International Federation for Alternative Trade (IFAT), based in the U.K, is a global network of Fair Trade organizations. Established in 1989, IFAT is composed of 202 members in 55 countries across Asia, Africa, Latin America, Europe and North America, including Australia, New Zealand and Japan. Its members are producer associations, marketing organisations (import and export) retailers, national and regional Fair Trade networks, and business support organizations dedicated to the Fair Trade movement. IFAT's primary objectives, through its members, are to improve the livelihoods and well-being of disadvantaged people in developing countries and to change the unfair structures of international trade.

Principles of Fair Trade

Fair Trade is a movement promoting trading partnerships based on dialogue, transparency and respect, and that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers, especially in developing regions of the South.

Fair Trade organizations are engaged actively in supporting producers, consumer education and campaigning for changes in the rules and practice of conventional international trade.

The key principles of Fair Trade include:

➤ **Creating opportunities for economically disadvantaged producers**

Fair Trade is a strategy for poverty alleviation and sustainable development. Its purpose is to create opportunities for producers who have been economically disadvantaged or marginalized in the conventional trading system.

➤ **Gender Equity**

Emphasis is often placed on ensuring that women's work is properly valued and rewarded. Women are always paid for their contribution to the production process and are empowered in their organisations.

➤ **Transparency and accountability**

Fair Trade involves transparent management and commercial relations in order to deal fairly and respectfully with trading partners and customers.

➤ **Capacity building**

Fair Trade assists in developing producer independence through sustained relationships with trading partners that provide continuity, and often include management skills development, improved access to markets, and financial and technical assistance.

➤ **Payment of a fair price**

A fair price in the regional or local context is one that has been agreed through dialogue and participation. It covers not only the costs of production but enables production that is socially just and environmentally sound. It provides fair pay to the producers and takes into account the principle of equal pay for equal work by women and men. Fair Traders ensure prompt payment to their partners and, whenever possible, help producers with access to pre-harvest or pre-production financing.

➤ **Working conditions**

Fair Trade means a safe and healthy working environment for producers. The participation of children (if any) does not adversely affect their well-being, security, educational requirements and need for recreation, and conforms to the UN Convention on the Rights of the Child as well as the law and norms in the local context.

➤ **Environmental Sustainability**

Fair Trade encourages producers to engage in production practices that manage and use local resources sustainably. Fair traders often work directly with producers in regions of high biodiversity in order to develop products based on sustainable use of their natural resources, giving communities incentive to preserve their natural environments for future generations.

➤ **Promoting Fairer Trade**

Fair Trade organizations educate the public about the importance of purchasing fairly traded products, highlight the need for change in the practices of conventional trade, and publicly demonstrate how fair trade is a successful model that emphasizes social justice and environmental sustainability, over the endless drive for increased profits. By providing information about producers' history, culture and living conditions, Fair Trade enhances cross-cultural understanding and respect between consumers and communities in the developing world.

Fair Trade Organizations

Fair Trade organizations have a clear commitment to Fair Trade at the core of their mission. There are four main types of Fair Trade organizations that perform various roles along the trading chain linking producers to consumers in the North and South.

Producer Organizations

Producer organizations may be village or community groups or cooperatives, and often may have joined together under export marketing umbrellas. The products cultivated or produced by these organizations include numerous food and drink products such as coffee, tea, cocoa, and spices, as well as a wide range of handicrafts such as glassware, jewellery, baskets, furniture toys, fabric and many more too numerous to list in this report.

Fair Trade Importers and Wholesalers

Fair trade importing organizations are importers and wholesalers that source from Fair Trade Producer Organizations, and are committed to providing fair wages and employment opportunities to these producers. Fair Trade importers and wholesalers provide a range of services and assistance directly to these producers. For additional details, see Section IV.

Fair Trade Retailers (a.k.a "World Shops")

Fair trade retailers are stores, either brick and mortar or Internet-based, or mail order catalogs, that carry fairly trade items, bought directly from Fair Trade Producer Organizations or from Fair Trade Importers and Wholesalers. Fair Trade Retailers often import and wholesale as well. See Section IV for additional information about the services they provide to the producers from whom they import.

Fair Trade Labelling Initiatives

Fair Trade Labelling Initiatives certify the chain of supply of certain commodities in order to guarantee adherence to fair trade practices. Fairtrade Labelling Organizations International (FLO), based in Bonn, Germany, coordinates these labelling initiatives in 17 countries in Europe, North America and Japan. FLO

guarantees that all products sold with a Fair Trade certification label conform to the Standards developed by its Standards & Policy Working Group and contribute to the development of disadvantaged producers. The range of products that carry the labels now includes coffee, chocolate and cocoa, rice, fruit and fruit juices, tea, honey and sugar.

TransFair USA, Canada and Japan are among these 17 Fair Trade labelling initiatives. More detailed information on the FLO Fairtrade Standards and Certification system can be found on the FLO website: www.fairtrade.net.

Figure 3 summarizes the Fair Trade umbrella organizations that operate in North America and the Pacific Rim.

FIGURE 3: FAIR TRADE ORGANIZATIONS IN NORTH AMERICA AND THE PACIFIC RIM				
	IFAT International Federation for Alternative Trade	FLO Fair Trade Labelling Organizations International	FTF Fair Trade Federation	FTA Fair Trade Association
Established	1989 in the Netherlands	1997 in Bonn, Germany	1994 in Washington, D.C.	2003 in Australia
Type of members	Fair Trading Organizations including producer organizations and business service providers	National Fair Trade Labelling Initiatives	Fair Trade organizations including producers, retailers, and wholesalers	Fair Trade importing and wholesaling organizations
Members in countries in the region under survey	7* in USA, 4* in Canada, 2 in Australia, 1 in New Zealand and 3 in Japan	TransFair USA, TransFair Canada TransFair Japan	115* in the USA and Canada	Australia and New Zealand
*Several companies in the US and Canada are both IFAT and FTF members and are therefore included in each organization's total survey-qualified member pool.				

SECTION III

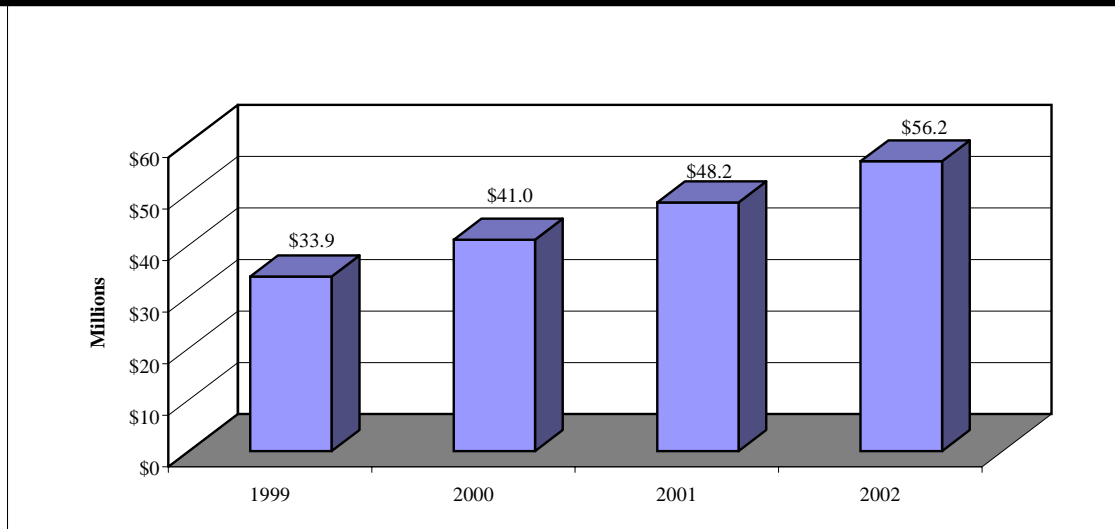
HOW FAIR TRADE IS GROWING

Sales

□ **FTF & IFAT Members in US & Canada**

- **Total gross sales** for FTF & IFAT members in the USA and Canada were \$56.2m in 2002, an increase of 17% from 2001.

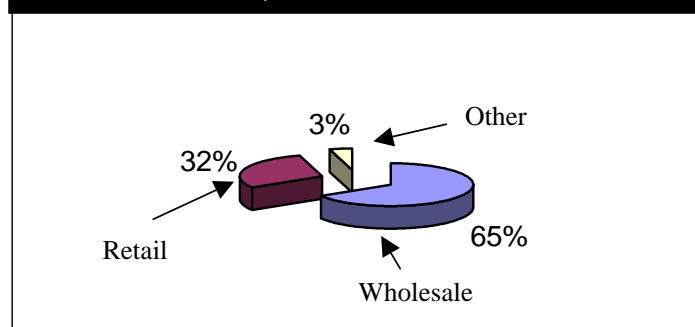
FIGURE 4: TOTAL SALES OF FTF MEMBERS NORTH AMERICA 1999 - 2002



➤ **Wholesale / retail ratio**

The proportion of sales for FTF members accounted for by wholesale was 65% in 2002 and the proportion that were retail was 32% with the remaining proportion coming from 'other'.

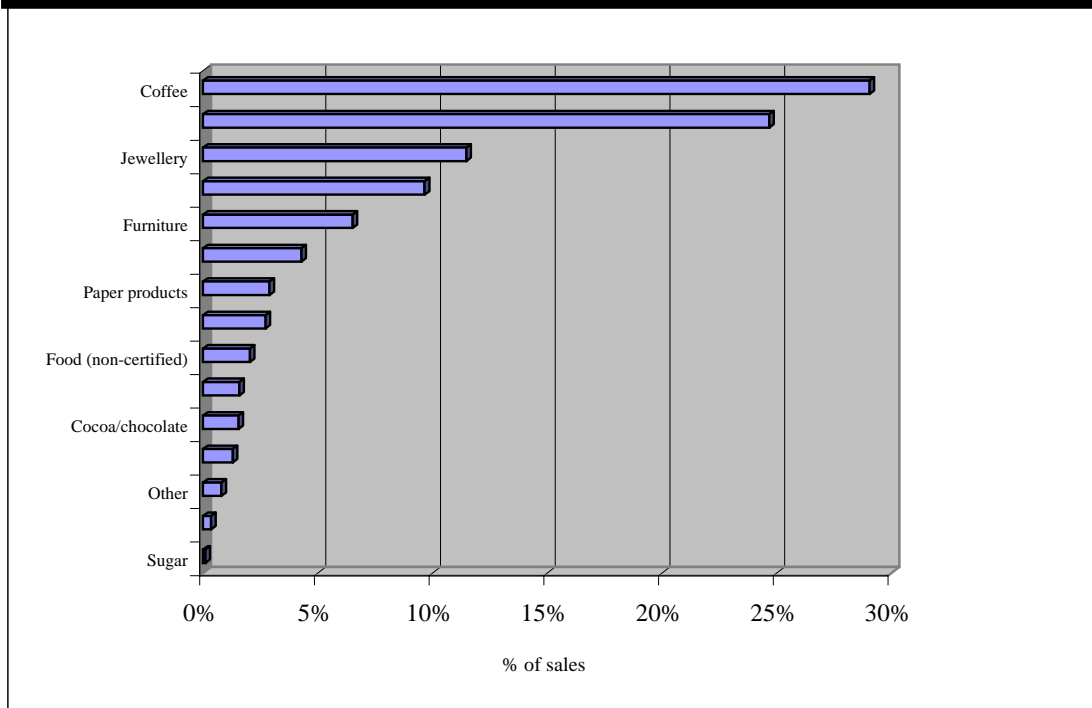
FIGURE 5: TYPE OF SALES BY FTF & IFAT MEMBERS, NORTH AMERICA 2002



➤ **Sales by Product Category**

With regard to products sold, the highest proportion of FTF/IFAT members' sales in 2002 came from certified fair trade coffee, 29% or \$16.3m, followed by "other handicrafts," 24.5% or \$13.8m, and jewellery 11.5% or \$6.5m. Products with the greatest rate of sales increase in 2002 were cocoa, coffee and silver beads.

FIGURE 6: PERCENTAGE OF FTF/IFAT MEMBER SALES BY PRODUCT CATEGORY, NORTH AMERICA 2002



❑ **TransFair USA**

➤ **The estimated retail value** of coffee sold under the TransFair USA label

increased by 53% from \$85.6m in 2001, to \$131m in 2002. TransFair USA estimates that there are approximately 12,000 outlets in the USA where Fair Trade labelled products may be purchased. The **volume** of certified fair trade certified coffee licensed by TransFair USA grew from 6.4m lbs in 2001 to 9.7m lbs in 2002.

TransFair USA licenses 17 coffee importers and 182 roasters, blenders, manufacturers; 3 tea importers and 8 tea roaster, blender, manufacturers; and 4 cocoa/chocolate importers and manufacturers.

❑ **TransFair Canada**

➤ **The estimated retail value** of certified fair trade coffee licensed by TransFair

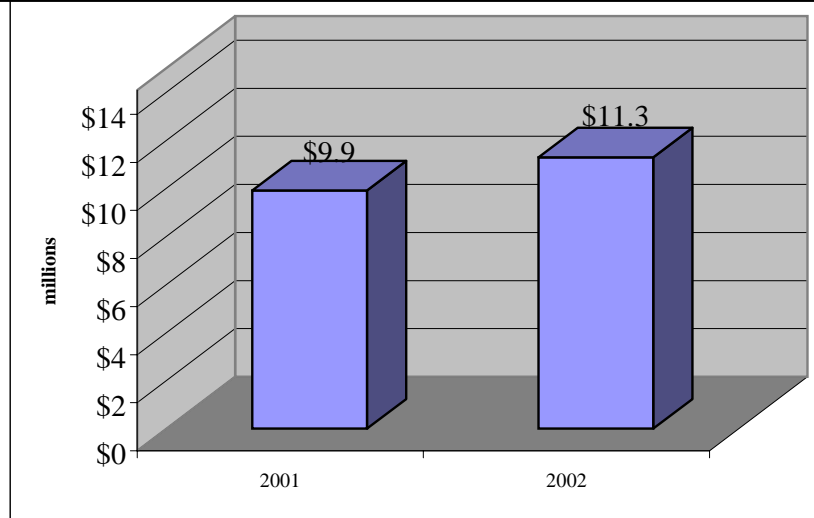
Canada grew from \$5.4m to \$9.1m during 2002 and the **volume** of certified fair trade coffee licensed by

TransFair Canada grew from 570,000 lbs in 2001 to 937,000 in 2002, an increase of 65%.

❑ **IFAT Members in Australia and Japan**

➤ **Total gross sales** for IFAT members in the Pacific Rim grew 14.4% between 2001 and 2002, from \$9.9m to \$11.3m.

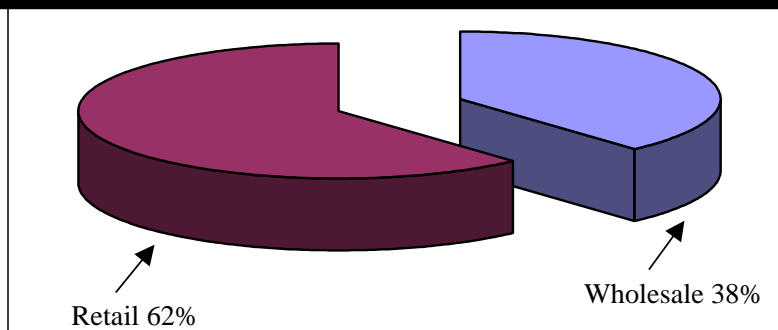
FIGURE 7: TOTAL SALES OF IFAT MEMBERS PACIFIC RIM



➤ **Wholesale / retail ratio**

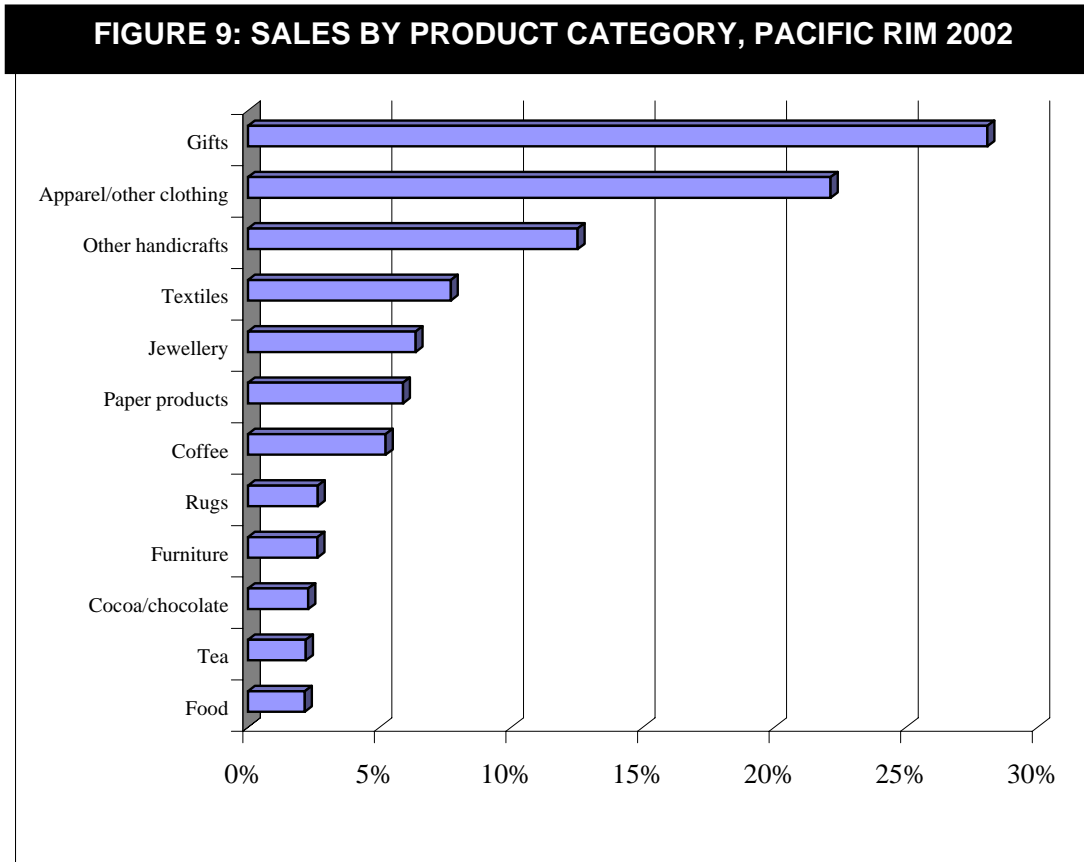
For Pacific Rim IFAT members, 62% of total sales were retail and 38% were wholesale.

FIGURE 8: TOTAL SALES BY TYPE, PACIFIC RIM 2002



➤ Product Categories

With regard to products sold, the largest proportion of total sales by Pacific Rim IFAT companies was gifts with 28% of total sales or \$3m and apparel and other clothing, 22% or \$2.4m.



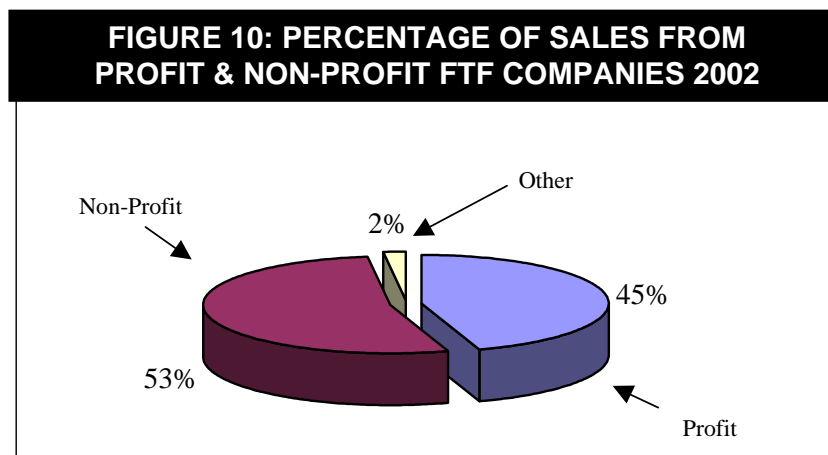
❑ TransFair Japan

Gross sales of coffee and tea licensed by TransFair Japan were reported to be \$59.6m in 2002, an increase of 25% from 2001. Coffee was the product with the greatest increase in sales in 2002, while tea sales declined slightly. TransFair Japan has 6 coffee and 2 tea licensees. According to FLO, sales of licensed fair trade coffee in Japan increased from 17,000 lbs to 21,000 between 2001 and 2002.

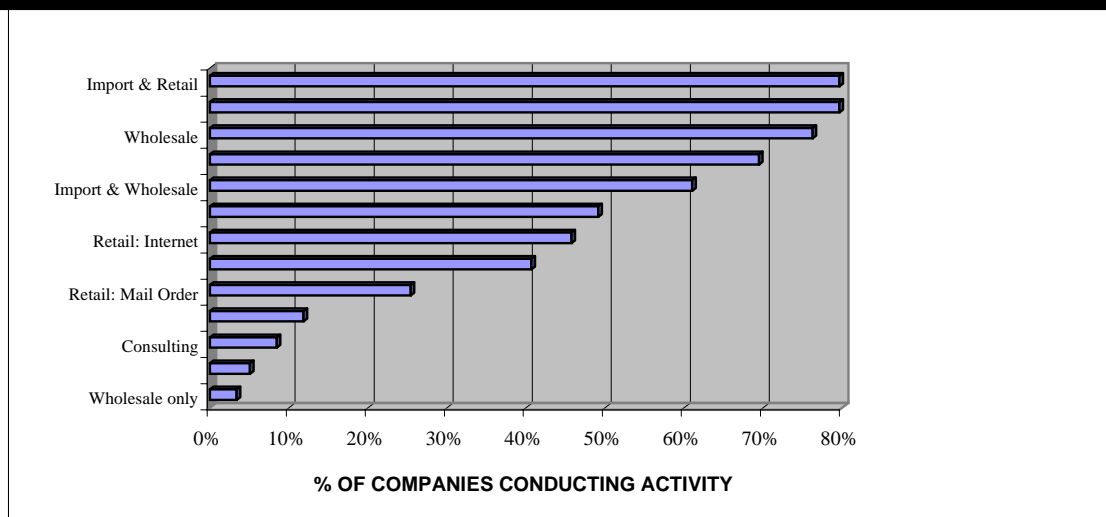
Corporate Structure and Activities

North America

In North America, 70% of Fair Trade organizations are for-profit companies, while 28% are non-profit organizations (i.e. NGOs) and 1.75% are other (mostly cooperatives). However, 45% of sales of the companies reporting come from the for-profit companies, while 53% come from the non-profit organizations (and 2% from companies with other structures).



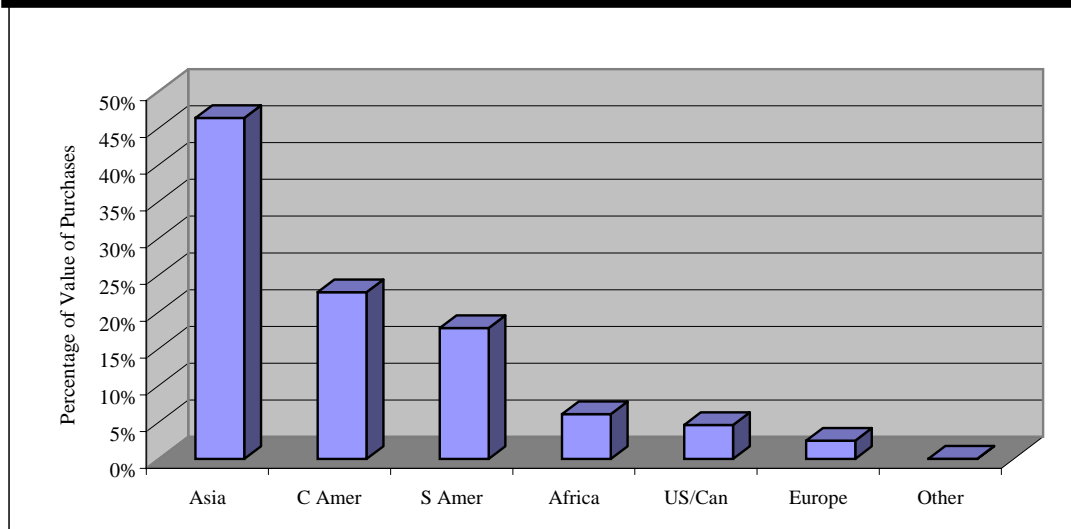
With regard to activities undertaken by FTF members, almost 80% of FTF responding member companies conduct at least some importing. Most importing companies also conduct at least some retail sales. A high number of companies import, wholesale and retail, perhaps demonstrating the high value that the fair trade model places on direct, long-term trading relationships. The most common form of retail sales reported by FTF companies was Internet sales (46% of FTF companies) followed by brick and mortar fair trade retail shops (41%) and mail order (25%).

FIGURE 11: ACTIVITIES OF FTF & IFAT COMPANIES IN US & CANADA

Producer Regions

Asia was the producer region most important to Fair Trade companies in North America, in 2002, representing 46% of the value purchases made by FTF members.

FIGURE 12: PRODUCT REGION OF ORIGIN, FOR US, CANADA MARKET

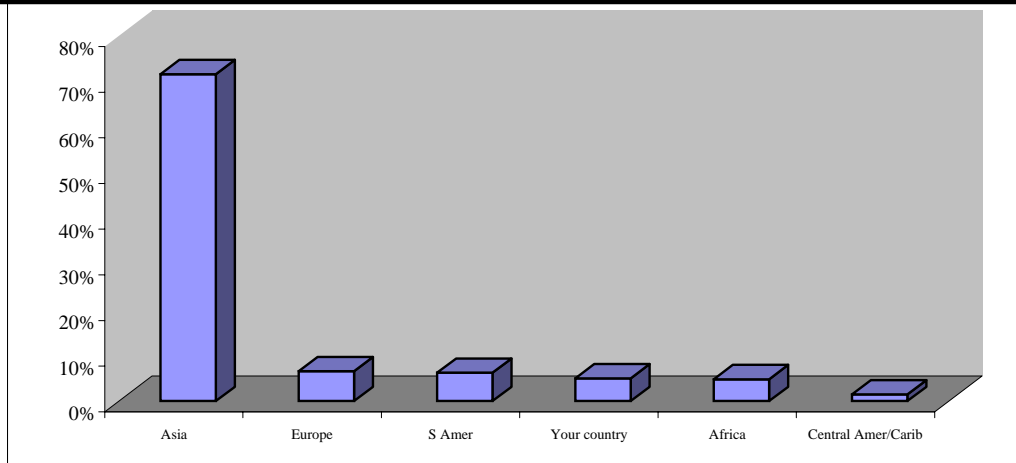


The following table shows that most (57%) of the farmer cooperatives supplying TransFair USA licensed products are imported from Central America and the Caribbean. A high portion is South American (32%).

FIGURE 13: No. OF COFFEE PRODUCER GROUPS BY REGION, TRANSFAIR USA

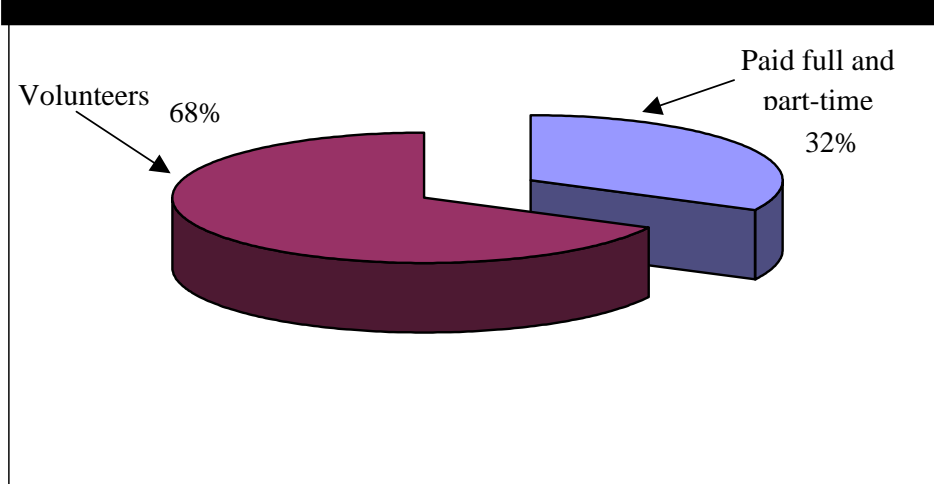
Central America/Caribbean (including Mexico)	85
South America	49
Africa	11
Asia	4

For IFAT companies in the Pacific Rim, Asia was also their most important producer region representing 72% of the value of their purchases.

FIGURE 14: PRODUCT REGION OF ORIGIN FOR PACIFIC RIM MARKET

Employment

At the beginning of 2003, there were over 3,828 people employed by Fair Trade organizations in the US, Canada and the Pacific Rim. The majority of these individuals are volunteers (68%). In 2002 there were approximately 2,580 employees in the US & Canada, 851 of who were full and part time (up from 737 in 2001, or +15.5%) and 1,729 of who were volunteers. In the Pacific Rim there were 628 people in the industry, 205 full and part-time and 477 volunteers.

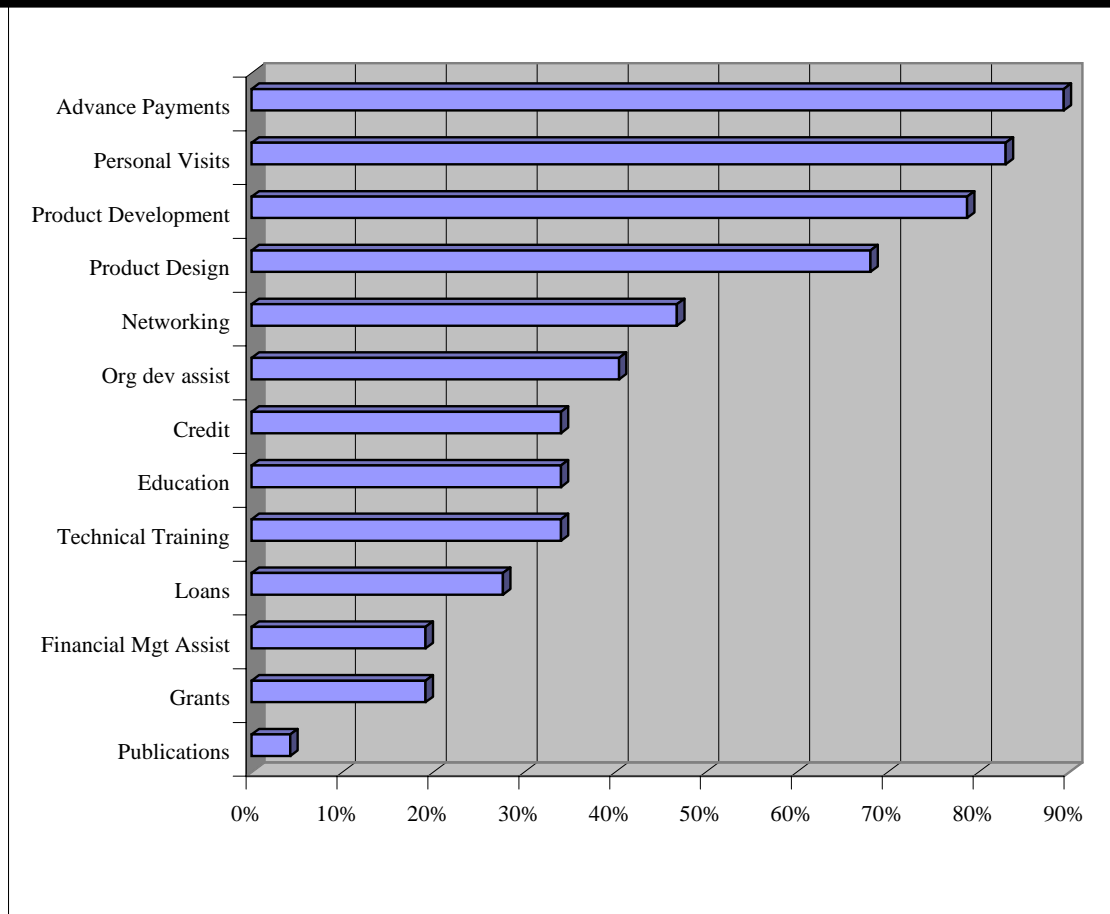
FIGURE 15: EMPLOYMENT IN US, CANADA, PACIFIC RIM, 2002

SECTION IV

ACTIVITIES OF FAIR TRADE ORGANIZATIONS

Services to Low-Income Producers

Almost 90% of FTF and IFAT responding members provide **advance payment** services to producers and just over 80% conduct **personal visits**. The extent of **product development and design assistance** offered by FTF companies is also noteworthy. For the responding FTF companies, 79% assist in product development and 68% with design assistance.

FIGURE 16: SERVICES TO PRODUCERS PROVIDED BY FTF & IFAT MEMBERS**Lobbying and Campaigning**

Some FTF and IFAT members engage in lobbying and campaigning for fair trade. These efforts fall into five broad categories: general consumer education campaigns, fair trade events/programs at local level, media and public relations, writing/speaking/tours/fairs, and legislative lobbying.

SECTION V

FUTURE TRENDS AND EXPECTATIONS

FTF members expect a growth in total sales of approximately 26% in 2003. The largest increases are expected for coffee, cocoa and chocolate, toys, tea and beads.

TransFair USA expects the volume of licensed fair trade certified coffee to increase by 23% in 2003 up to 12.5m lbs., tea volume to increase by 100% and cocoa by 4000%.

TransFair Canada expects the volume of its licensed coffee to increase by 55% during 2003, up to 1.45m lbs.

TransFair Japan expects coffee sales to increase rapidly in 2003, by 80%, as supermarkets begin selling certified coffee in September, and tea sales to increase by 20%.

Important Trends in the Fair Trade Movement

There were three themes running through comments made by respondents to the survey with regard to trends they see occurring in fair trade:

- **Consumer Awareness.** Fair trade companies generally agree that increased efforts to educate consumers about fair trade have led to greater awareness and increased sales.
- **Certification.** There is general agreement that fair trade certification, especially of coffee, is profoundly affecting the industry as a whole. However, opinions vary as to whether all of the changes are good for the movement as a whole.
- **Unfair Competition.** Some fair trade companies are expressing concern about competition from companies that do not practice fair trade but sell similar products, and may be confusing. There are concerns over competition.

SECTION VI

Methodology

Scope of the survey

In 2002, the Fair Trade Federation published the first Report on Trends in the Fair Trade Industry. The report included data from members of the Fair Trade Federation, TransFair USA and TransFair Canada licensed coffee roasters (as reported in the Sustainable Coffee Survey of the North American Specialty Coffee Industry; Giovannucci, 2001). The 2003 Report on Trends in the Fair Trade Industry includes data collected from current US and Canadian based members of the Fair Trade Federation, data reported by TransFair USA, TransFair Canada, and TransFair Japan, and data from members of the International Federation for Alternative Trade that are based in Japan, Australia, New Zealand, the US, and Canada.

This report concentrates on two categories of products:

- Goods imported and sold by businesses engaged exclusively in Fair Trade. For the purposes of this report, only approved trade members of FTF or IFAT are considered companies engaged exclusively in Fair Trade. Both organizations screen their memberships based on the Fair Trade principles outlined in Section II of this report.
- Agricultural commodities certified by FLO agencies in North America and the Pacific Rim: TransFair USA, TransFair Canada and TransFair Japan.

Data Gathering and Processing

Questionnaires were distributed to FTF and IFAT members conducting business in the region covered by the report, and to each of the certification agencies listed above.

Where companies did not respond to the present survey but did provide sales data for 2001, this figure plus a conservative growth estimate of 4% (real GDP plus inflation) was utilised for 2002. This means that the number of companies used in the calculation of total gross sales for 2001 and 2002 was 108 or 93.9% of companies qualified to report.

A number of FTF companies did not report employment data in either the present survey or the 2001 survey. For these companies and those new companies that did not report employment data (these combine to 42 companies), it was necessary to make an estimate of their employment. This was done by comparing companies with similar sales and making a conservative estimate. Therefore, the number of companies utilised in the FTF employment calculation was 73 or 63.5% of the sample 115 companies.

APPENDIX I

FAIR TRADE RESOURCES & CONTACT INFO

Co-op America 1612 K St. NW, Suite 600, Washington D.C.,
20006; Phone: 202-872-5307; info@coopamerica.org;
www.coopamerica.org.

European Fair Trade Association (EFTA) Publisher of *Fair Trade
in Europe: Facts and Figures*; efta@eftaadvocacy.org;
www.eftafairtrade.org

Fair Trade Federation 1612 K St. NW, Suite 600, Washington
D.C., 20006; Phone: 202-872-5338;
jaimealbee@fairtradefederation.org;
www.fairtradefederation.org

Fair Trade Resource Network PO Box 33772, Washington D.C.,
20033 USA; info@fairtraderesource.org;
www.fairtraderesource.org

International Federation for Alternative Trade 30 Murdoch
Road, Bicester, Oxon OX26 4RF, U.K.; phone: 44 1869 249819;
info@ifat.org.uk; www.ifat.org

TransFair Canada 251 Bank St., Suite 302, Ottawa, ON K2P 1X3,
Canada; Phone: 613-563-3351; fairtrade@transfair.ca;
www.transfair.ca

TransFair USA 1611 Telegraph Ave., Suite 900, Oakland, CA
94612, USA; Phone: 510-663-5260; info@transfairusa.org;
www.transfairusa.org

United Students for Fair Trade Washington, D.C.; www.usft.org