Interim Report
on
Fair Trade Trends

FAIR TRADE FEDERATION

July 2008

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I. INTRODUCTION

The Fair Trade Federation (FTF) is pleased to present this Interim Fair Trade Trends Report. As a brief update of previous Trends Reports in 2002, 2004, and 2006, this Interim Report acts as a precursor to the more extensive Fair Trade Trends Report to be released in 2008.

While previous reports focused on the North America and the Pacific Rim region, the current report is limited to the United States and Canada, because the Federation has noted a shift in the US and Canadian fair trade markets and sought to examine the importance of these changes.

The Fair Trade Federation is the trade association that strengthens and promotes North American organizations fully committed to fair trade. The Federation is part of the global fair trade movement, building equitable and sustainable trading partnerships and creating opportunities to alleviate poverty. FTF strengthens the capacity of its members, encourages the exchange of best practices, and raises awareness about the importance of choosing fairly traded products and supporting businesses committed to fair trade principles.

The FTF hopes that the Trends Report continues to serve as an important educational and informational tool for the fair trade movement and others interested in using trade as a force for positive change. The author of this report is Michael Long, Center for Fair and Alternative Trade Studies and Department of Sociology at Colorado State University, who is working with FTF.

The Federation would like to thank the United Methodist Committee on Relief and Development for providing the support to make this report possible. FTF also extends its gratitude to the Fairtrade Labelling Organizations International (FLO), including the national initiatives, TransFair USA and TransFair Canada, and the International Fair Trade Association (IFAT) for their assistance. These organizations have provided data and guidance that have improved the quality of the report.

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II. Overview of Fair Trade Organizations

- **Fair Trade Federation (FTF)** - The Fair Trade Federation is the trade association that strengthens and promotes North American organizations fully committed to fair trade. The Federation is part of the global fair trade movement, building equitable and sustainable trading partnerships and creating opportunities to alleviate poverty. FTF members include retailers and importers/ wholesalers in North America, as well as a few producer communities based elsewhere. FTF is a partner network of IFAT.
- **International Fair Trade Association (IFAT) -** The International Fair Trade Association's mission is to enable producers to improve their livelihoods and communities through fair trade. The work of IFAT centers around three areas: market development, monitoring, and advocacy. Primarily representing producer associations, IFAT members also include marketing organizations, retailers, and national and regional fair trade networks.
- **Fairtrade Labelling Organizations International (FLO) -** The Fairtrade Labelling Organizations International creates standards for 16 Fair Trade Certified products, including coffee, cocoa, fresh fruit, honey, sport balls, sugar, tea, rice, and wine. FLO utilizes 20 national initiatives and three producer networks to spread fair trade principles and distribute fair trade certified products. Two national initiatives, TransFair USA and TransFair Canada, assisted in the production of this report.

An important distinction should be made when attempting to understand the fair trade market as a whole and the approaches of the organizations outlined above. FLO and its national affiliates examine the supply chains of specific, and primarily agricultural, products from point of origin to point of sale, irrespective of the end seller. IFAT, FTF, and related national and regional associations evaluate the practices and commitment of organizations, regardless of the product that they sell (including agricultural products, textiles, décor, gifts, and accessories). This report indicates that both of these approaches have experienced increases in sales and in the number of organizations interested in becoming involved in fair trade.

III. Principles of Fair Trade

In 1998, FLO, IFAT, the Network of European Worldshops, and European Fair Trade Association (FINE) agreed on a general definition for fair trade:

"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 their rights of, disadvantaged producers and workers – especially in the South.

Fair Trade Organizations, backed by consumers, are actively engaged in supporting producers in awareness raising and in campaigning for changes in the rules and practices of conventional international trade."

The Fair Trade Federation, International Fair Trade Association, and Fairtrade Labelling Organizations International have each established expected principles their work.

Fair Trade Federation members fully commit to eight principles:

- Providing fair wages in the local context,
- Supporting safe, healthy, and participatory workplaces,
- Supplying financial and technical support to build capacity,
- Encouraging environmental sustainability,
- Respecting cultural identity,
- Offering public accountability and transparency,
- Building direct and long-term relationships, and
- Educating consumers.

The International Fair Trade Association has 10 standards for its members:
1. Creating Opportunities for Economically Disadvantaged Producers
2. Offering Transparency and Accountability
3. Building Capacity
4. Promoting Fair Trade
5. Supporting the Payment of a Fair Price
6. Supporting Gender Equity
7. Fostering Safe and Healthy Working Conditions
8. Ensuring No Forced Child Labor
9. Promoting Responsible Environmental Production, and
10. Fostering Trade with Concern for the Social, Economic and Environmental well-being of Marginalized Small Producers which does not Maximize Profit at their Expense.

The Fairtrade Labelling Organizations International set four standards for Trader Organizations which stipulate that traders who buy directly from fair trade producer organizations must:
- Pay at least a price to producers that at least covers the costs of sustainable production (the Fairtrade Minimum Price)
- Pay a premium that producers can invest in development (the Fairtrade Premium)
- Partially pay in advance, when producers ask for it.
- Sign contracts that allow for long-term planning and sustainable production practices.

FLO has also established specific product standards for each commodity with which they deal.

IV. Trends in US and Canadian Consumption of Fair Trade Goods

This section of the report will first present an overview of all fair trade sales in the United States and Canada. Then, it will proceed to examine the following organizations separately: FTF / IFAT, TransFair Canada, and TransFair USA. All sales figures are reported in US Dollars.

All Organizations Overview

Table 1: Sales of the US and Canadian Fair Trade Industry 2002-2006 (in US$ millions)

	2002	2004	2006	% change 2004-2006
FTF and IFAT Members (All)	$56.20	$75.81	$156.39	106%
TransFair Canada (All)	$9.10	$27.14	$67.79	150%
TransFair USA (Coffee only)	$131.00	$369.00	$730.00	98%
Total	$196.30	$471.95	$954.18	102%

Note: Overall totals are slightly elevated due to double counting of coffee sales. The sales of FTF/IFAT members who offer certified coffee have been counted twice. However, FTF/IFAT coffee sales represent 5% or less of total certified coffee sales.

It is clear from Table 1 that all fair trade sales in Canada and the US have been increasing steadily between 2002-2006. As the table notes, TransFair USA only releases sales figures for coffee. However, as coffee sales make up the majority of Fair Trade Certified product sales in the United States, this number serves as a useful reference point for the overarching trend for certified products in that country.

A. Fair Trade Federation and the International Fair Trade Association

Table 2 demonstrates FTF's rapid growth in sales between 2005 and 2006 and incorporates 2006 sales data for US and Canadian members of IFAT who are not also part of the Federation. Tables 3, 4, and 5 explore the types of organizations within the Federation and IFAT globally as of 2006. The sources of the following tables are internal FTF and IFAT records.

Table 2: FTF and IFAT Members' Sales (in US$ millions)

	2004	2005	2006	% change 2005-2006
Fair Trade Federation Members	$48.88	$60.05	$147.47	146%
US and Canadian members of IFAT[1]	n/a	n/a	$8.9	-
Total	n/a	n/a	$156.39	-

[1] As of 2006, IFAT had 24 members in its North American and Pacific Rim region, of which 19 were from the US and Canada. The 2006 figures represent the sales of the 8 organizations in the US and Canada who are not also members of the Fair Trade Federation. These 8 IFAT members have been separated out to avoid double counting.

Table 3: FTF Business Types (as of 2006)

Business Type	Number of Orgs.	Percentage
For Profit	166	65%
Non-profit	89	35%
Total	255	

Table 4: IFAT Membership Types (as of 2006)

Membership Types	Number
Fair Trade Organizations	274
Associate Organizations	3
Fair Trade Partner Networks	19
Fair Trade Support Organizations	31
Total	327

Table 5: IFAT Membership by Region (as of 2006)

Region	Number of Members
Africa	63
Asia	96
Europe	95
Latin America	44
Middle East	5
North America and the Pacific Rim[2]	24
Total	327

B. Fairtrade Labelling Organizations International (FLO)

i. TransFair Canada

TransFair Canada is the Canadian national initiative of FLO. Table 6 shows the increase in the number of licensees from 2004-2006. The organization's licensees have grown steadily over this time frame. Tables 6-11 show the growth in pounds sold of the five major certified products in Canada. Coffee and cocoa sales are increasing steadily; however, the most interesting growth trends are in tea, sugar, and fresh fruit.

Fair Trade Certified tea in Canada grew by 99% from 2005-2006, and sugar sales have grown 180% over the same time frame. Interestingly, the sale of Fair Trade Certified fresh fruit in Canada grew by 180% between 2004 and 2005 and then, as Table 11 demonstrates, decreased at a rate of -97% over the 2005-2006 period. The source for the following tables has come from TransFair Canada's website (http://transfair.ca/)

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[2] This region includes Australia, Canada, Japan, New Zealand, and the United States.

Table 6: TransFair Canada Total Number of Licensees

Year	Number of Licensed Companies	Growth Rate
2004	124	13%
2005	145	17%
2006	185	28%

Table 7: Total Sales of Fair Trade Certified Coffee in Canada (in pounds)

Year	Pounds Certified	Growth Rate
2004	2,065,334	41%
2005	3,010,025	46%
2006	4,926,748	64%

Table 8: Total Sales of Fair Trade Certified Cocoa in Canada (in pounds)

Year	Pounds Certified	Growth Rate
2004	253,513	40%
2005	421,454	46%
2006	937,020	64%

Table 9: Total Sales of Fair Trade Certified Tea in Canada (in pounds)

Year	Pounds Certified	Growth Rate
2004	20,007	54%
2005	30,015	50%
2006	59,820	99%

Table 10: Total Sales of Fair Trade Certified Sugar in Canada (in pounds)

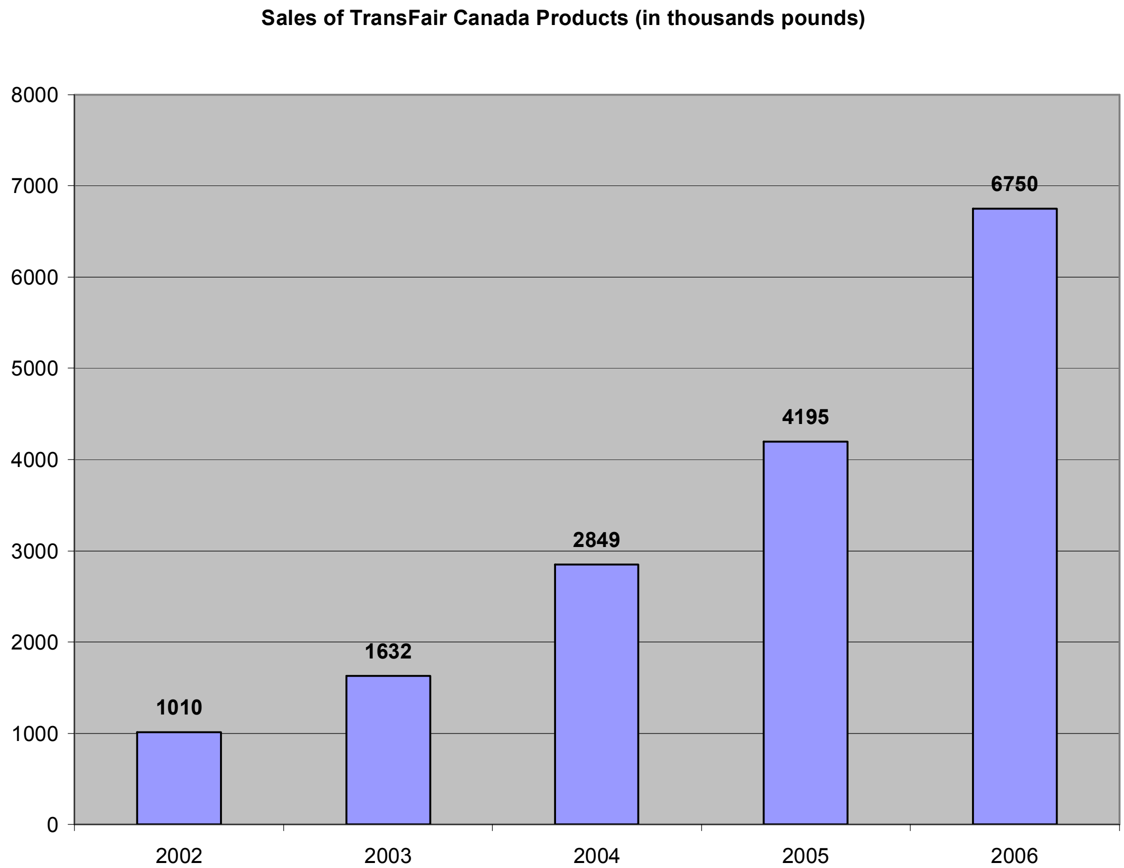
Year	Pounds Certified	Growth Rate
2004	99,913	54%
2005	141,172	41%
2006	395,740	180%

Table 11: Total Sales of Fair Trade Certified Fresh Fruit in Canada (in pounds)

Year	Pounds Certified	Growth Rate
2004	407,086	-
2005	539,202	32%
2006	17,186	-97%

Note: Certified fresh fruit was not available in Canada until 2004.

Chart 1: Growth in Overall Volume of Certified Products in Canada



Note: All products are measured in pounds with the exception of Sport Balls (units) and Flowers (stems).

b. TransFair USA

TransFair USA is the national affiliate of FLO in the United States. Since its inception in 1998, the vast majority of Fair Trade Certified sales in the US have come from coffee - so much so that TransFair USA only reports sales figures for coffee.

Therefore, to examine the growth trends in other certified commodities, imports (measured in pounds) must be used. The source for the following tables is *The Fair Trade Almanac: 2007*, available on the organization's website (http://www.transfairusa.org/)

Table 12: Number of TransFair USA Licensees by Year

Year	Number of Licensed Companies	Growth Rate
2004	372	38%
2005	525	41%
2006	615	17%

Tables 13 and 14 demonstrate that coffee remains the pillar of Fair Trade Certified sales in the United States. The growth rates are steady, and the base number of pounds imported remains high and continues to climb. Table 14 reports the percentage of the US coffee market (specialty and total) that Fair Trade Certified coffee has captured. TransFair USA reports that, as of 2006, Fair Trade Certified coffee is responsible for 3.31% of the entire US coffee market.

Table 13: Imports of Fair Trade Certified Coffee into the US (in pounds)

Year	Pounds Certified	Growth rate
2004	32,974,400	71%
2005	44,585,323	35%
2006	64,774,431	45%

Table 14: Fair Trade Certified Coffee and Percent of Specialty and Overall Market Share

Year	Specialty Coffee	All Coffee
2004	3.80%	1.70%
2005	4.30%	2.20%
2006	5.90%	3.31%

Note: As reported by TransFair USA. These numbers could not be externally verified by the time of this report's production.

Tables 15-19 examine the growth in imports for five Fair Trade Certified commodities in the US: tea, cocoa, mangos, bananas and sugar.

Introduced in 2001 and 2002 respectively, Fair Trade Certified tea and cocoa are relatively established commodities on the market which are still experiencing growth in overall imports, even if growth has slowed somewhat. Introduced in 2004 and 2005 respectively, mangos and sugar are newer Fair Trade Certified commodities which experienced phenomenal growth in imports between 2005 and 2006. Due to importation problems, there has been a consistent decline in amount of Fair Trade Certified bananas imported over the last few years. Overall, however, the amounts of imported certified commodities have been consistently increasing.

Table 15: Imports of Fair Trade Certified Tea into the U.S.

Year	Pounds Certified	Growth rate
2004	180,310	88%
2005	517,500	187%
2006	629,985	22%

Table 16: Imports of Fair Trade Certified Cocoa into the U.S.

Year	Pounds Certified	Growth rate
2004	727,576	307%
2005	1,036,696	42%
2006	1,814,391	75%

Table 17: Imports of Fair Trade Certified Mangos into the U.S.

Year	Pounds Certified	Growth rate
2004	109,571	-
2005	144,672	32%
2006	456,699	216%

Note: Certified mangos were not available in the United States until 2004.

Table 18: Imports of Fair Trade Certified Bananas into the U.S.

Year	Pounds Certified	Growth rate
2004	-	-
2005	7,239,530	-9%
2006	5,718,360	-21%

Note: Certified bananas were not available in the United States until 2005.

Table 19: Imports of Fair Trade Certified Sugar into the U.S.

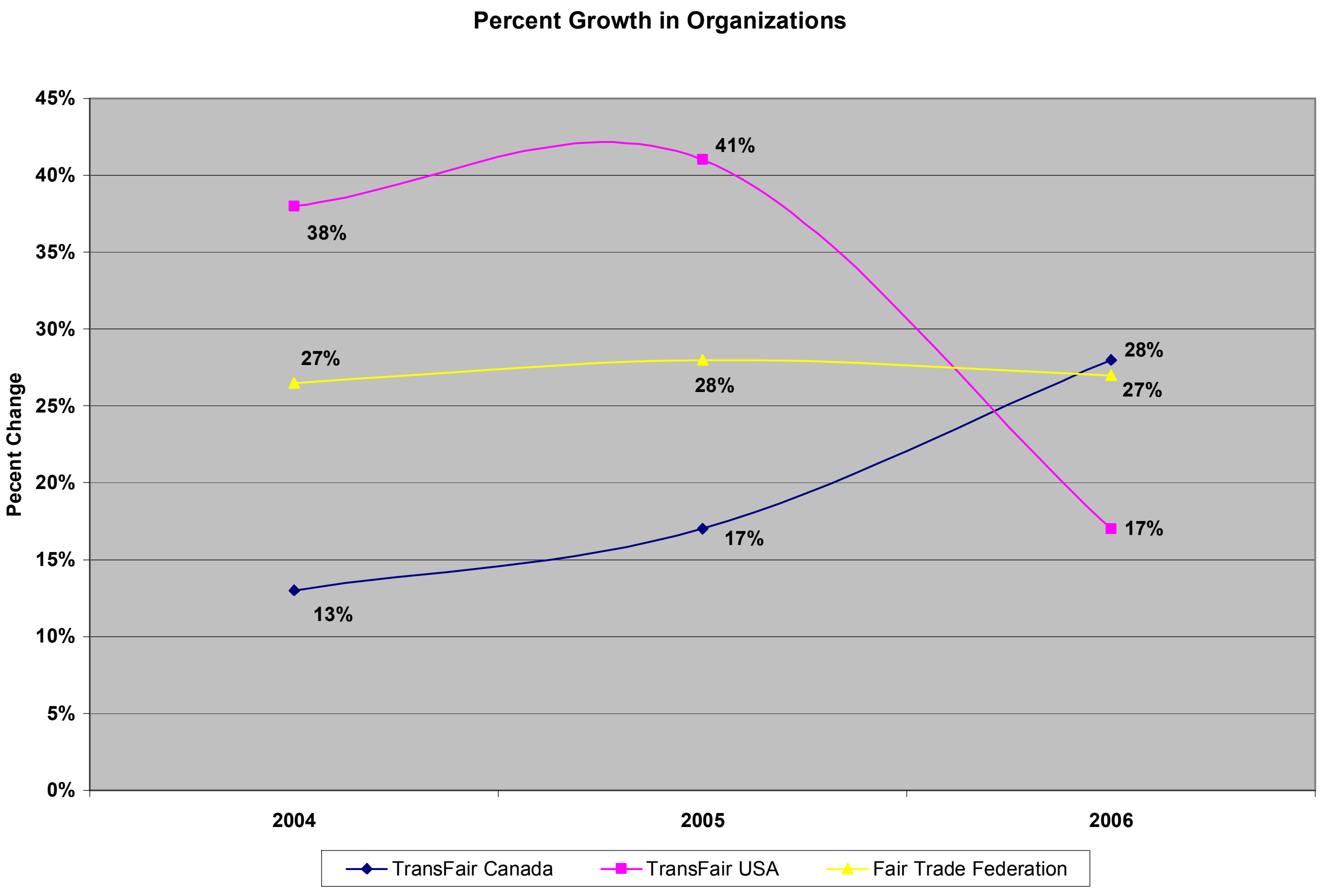
Year	Pounds Certified	Growth rate
2004	-	-
2005	271,680	-
2006	3,581,563	1218%

Note: Certified sugar was not available in the United States until 2005.

III. Comparing Elements of the US and Canadian Market

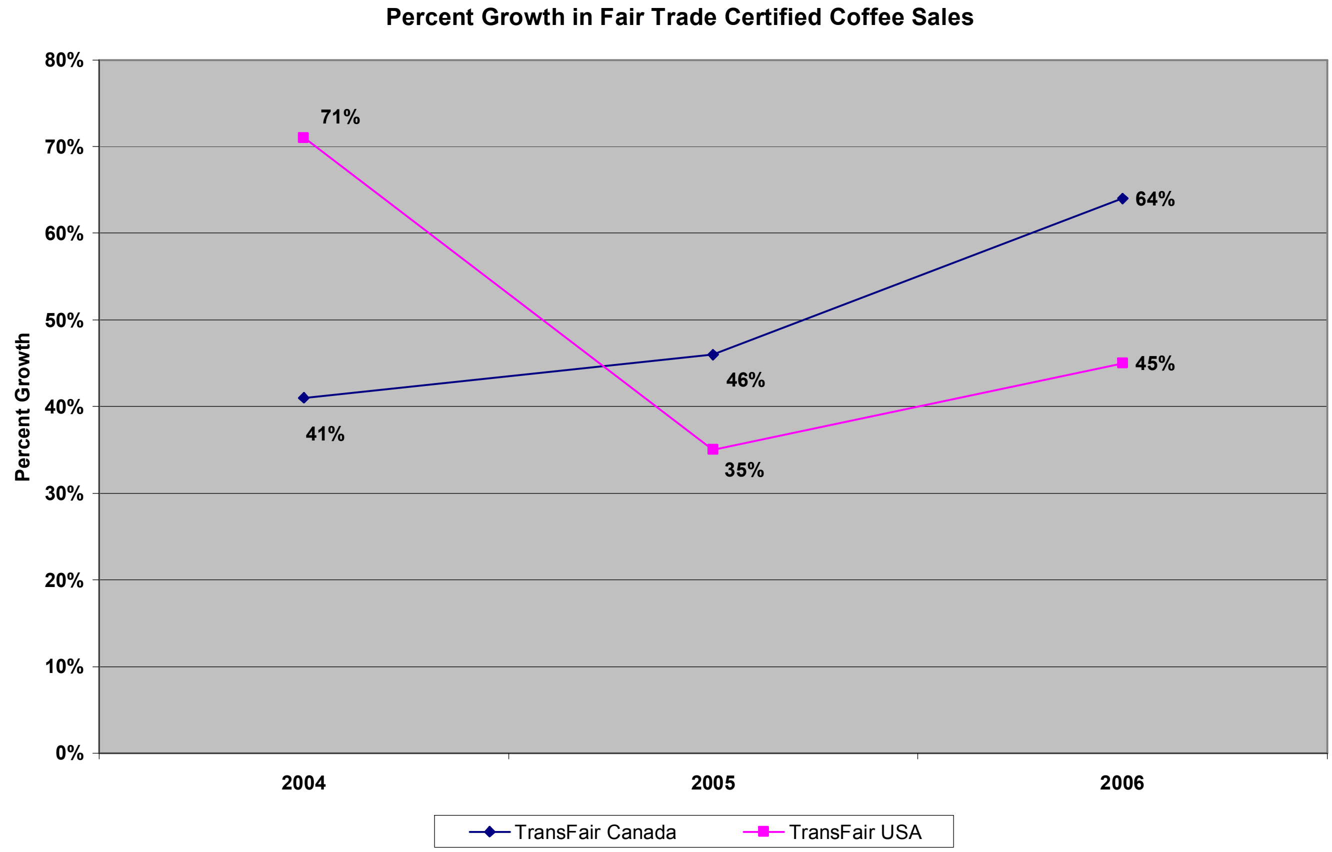
Chart 2: TransFair USA and Canada Licensees and Fair Trade Federation Members

As awareness of fair trade grows, more organizations are seeking licenses from their national FLO affiliates and/or membership in the Fair Trade Federation. The following chart outlines percentage growth rates in the number of TransFair USA and TransFair Canada licensees, as well as Fair Trade Federation members between 2004 and 2006.



Note: Fair Trade Federation Members include organizations based in the US and in Canada.

Chart 3: Certified Coffee Sales in the United States and Canada 2004-2006 (% increase)



Note: TransFair USA only releases sales figured for coffee, so only a comparison of certified coffee sales is possible at this time.

V. Looking Ahead

This brief overview of the status of fair trade sales in Canada and the United States paints a picture of steady overall growth in the fair trade sector by the end of 2006. Even as coffee continues to dominate the US market for certified agricultural products, new commodities, such as mangos and sugar, exhibit rapid growth. At the same time, there has been a related increase in the number of organizations seeking licensees from FLO affiliates or willing to fully commit to fair trade by joining the Fair Trade Federation.

The forthcoming 2008 Trends Report will examine fair trade in Canada and the United States more comprehensively. For instance, sectors such as handmade goods, which were not discussed in this Report, will be examined. In addition to updated and expanded analyses, the 2008 Trends Report will also include a discussion of other fair trade resources, such as reports, articles and books published by other fair trade organizations, academics, and others interested in the fair trade movement.

We hope that the 2008 Report will be a thorough resource for academics, students and activists who are interested in the state of the fair trade sector in the United States' and Canadian markets.