

Annual Review 2000/2001



THE FAIRTRADE FOUNDATION



WHY WE ARE HERE

We live in a land of plenty. Supermarkets and food shops display a variety of basic and exotic food and drink that would have astounded our grandparents, and compete to offer these at low prices most of us can afford.

We also live in a world of poverty. Many of the food and drink products we take for granted are produced by people who struggle to earn a decent living – to feed, clothe and educate their children, and to plan for the future. The problems they face include:

- Prices for traded commodities such as coffee are at record lows. Small farmers usually have to sell through local intermediaries and get even less than the international price – often this fails to cover their basic production costs.
- A lack of information on market conditions and trends, such as new quality requirements and pricing factors, leaves producers 'in the dark' and vulnerable.
- The absence of support services, such as finance, means that producers may have no alternative to borrowing at high interest rates (often from the same people who buy their crops and know how desperately they need cash).
- Plantations in the developing world face similar pressures and this impacts on employment conditions. Workers may be prevented from joining trade unions and often suffer from low wages and poor or unsafe working and living conditions.

There is a better way – fairer trading practices would provide viable livelihoods for people in poor countries. The Fairtrade Foundation's vision is of: 'A world in which every person, through their work, can sustain their families and communities with dignity'.

Fairtrade 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, disadvantaged producers and workers – especially in the South.

WHAT WE DO

The Fairtrade Foundation exists to improve the position of poor and marginalised producers in the developing world by promoting fairer ways of trading. It is the UK member of Fairtrade Labelling Organisations International which sets global standards with the participation of key stakeholders, including producer partners and commercial partners, and monitors them against those standards.

The Foundation promotes Fairtrade by:

- *Operating* the Fairtrade Mark, the independent consumer guarantee that producers receive a better deal for their products. The supply chains of products bearing the Fairtrade Mark are regularly inspected to ensure compliance with international Fairtrade standards.
- *Building* awareness of Fairtrade among consumers so that they can make informed choices about the products they buy, and encouraging retailers and other distributors to offer their customers a wide choice of Fairtrade products.
- *Promoting* research into and education about the impact of international trade and conditions of employment on poverty in the developing world.

In all aspects of our work, our achievements arise through collaborations and partnerships with other fair trade organisations, development agencies, consumer bodies, retailers and their suppliers – and the thousands of supporters who help to spread the word about Fairtrade.



Further information on the Fairtrade Mark and Fairtrade standards can be found on the inside back cover.

The Fairtrade Foundation is a registered charity (No. 1043886) and a company limited by guarantee, registered in England and Wales (No. 2733136)



FOREWORD



This is my first foreword as patron of the Fairtrade Foundation and it's a good place to say how privileged I feel to have been asked to play a part in the organisation.

There has never been a better time to press our agenda – a fairer deal for those in the majority world who produce the goods we consume in the rich world. After the cataclysmic events of September 11, we all have both to act against terrorism wherever it rears its ugly head and, more importantly, to think creatively about how to deal with the rage that so many people feel in far-flung corners of the world. Helping people to earn a stable, steady return for the hard work millions put in every day is one answer. Fifteen years of traipsing through the world's trouble-spots – from Algeria to Afghanistan – has convinced me that extremism grows its deepest roots in poverty.

Taking on global dysfunction is a daunting prospect. The wonderful thing about the concept of Fairtrade is that it allows all of us to make an impact doing what we would do anyway – buying coffee, chocolates, bananas and any of the other products that carry the Fairtrade Mark. True, these products cost more – but not nearly as much as the cost of doing nothing.

George Alagiah
PATRON



FAIRTRADE HIGHLIGHTS

Producers create change

How, through Fairtrade, farmers and workers in the developing world are changing their lives at a time of rising inequality and falling commodity prices



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A fairer future

Our plans to increase the impact of our work on producers, consumers – and mainstream business practices



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Supporters show their passion

Thousands wake up to Fairtrade breakfasts in the biggest Fairtrade Fortnight. The world's first Fairtrade town and other campaigning successes



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Summarised accounts

How we fund our work and where the money is spent



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Shoppers share the pleasure

Fairtrade sales hit a record £46 million at estimated retail prices; Windward Islands Fairtrade bananas on sale at last; orange juice launched and supermarkets launch own brand Fairtrade ranges



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Acknowledgments & thanks

...to our member organisations, donors, supporters and volunteers



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PRODUCERS CREATE CHANGE

Closing the gaps

London Underground's signature tune – 'Mind the Gap' – could be that of the last decade which ended with a shameful increase in inequalities. The richest 1% of the world now have income equivalent to the poorest 57%. People no longer divided by geographical distance have been pushed to opposite poles of wealth and power.

Fairtrade seeks to close those gaps. It aims to reduce the gaps in income and power and to bring producers and consumers closer together. It gives producers and workers in developing countries greater control over their trade – and their future. It's a practical yet hugely ambitious project that seeks both to deliver direct benefits to producers now – and by so doing to demonstrate that world trade can be different in the future. And so Fairtrade is also closing the gap between social concerns and commercial success – by showing that in fact they go hand in hand.

Closing the gaps between disadvantaged producers and the market

Over the past decades, millions of farmers worldwide have been forced out of business, unable to compete in a global trading system which is a buyers' market dominated by huge companies. Fairtrade enables smallholders to keep a foot in the door of international trade. For some, Fairtrade is a means to grow stronger; for others, their only chance of survival.

In the 1980s around 20,000 farmers grew bananas in the Windward Island of St Vincent. That figure has fallen to 10,000 today and is expected to halve again in the future. As part of their strategies to survive, over 600 Windward Island farmers are now selling Fairtrade bananas to the UK.

In Ecuador Jorge Ramirez, of El Guabo banana group said: 'Fairtrade is the reason that the small farmers in our association still have a livelihood at all. The most important effect of Fairtrade is the feeling that we can challenge the dependence on big companies with all those inequalities. We have proved that we can sell direct and we're very proud of that. We, small producers, have changed things and you can see the difference'.

Closing the gaps in knowledge and power

It is no free lunch. The demands on producer organisations to ensure top quality, to organise themselves and trade internationally and to meet Fairtrade criteria on organisational democracy, are not easy. But through Fairtrade sales, farmers get the extra resources to invest in meeting those demands, and some



Nioka Abbott, WINFA, Windward Islands:
Fairtrade came at the right time when we were facing the problems of the World Trade Organisation ruling on bananas which will affect us all as small producers. I see Fairtrade as the way out for Windward Islands producers.

also get support from non-governmental organisations or traders.

Time and again farmers say that Fairtrade's single greatest benefit is the strengthening of their organisations. No longer prey to passing intermediaries, farmers become more involved in trade, learn about quality control systems and have direct contact with importers and supermarkets.

Independent research, by Oxford Policy Management Ltd, found: 'The major impact of Fairtrade initiatives in the coffee sector in Tanzania was judged to be the contribution to increasing the capacity of the co-operatives to understand, and engage in, international trade and to act as a benchmark in setting standards and providing information.'

Arturo Gomez, a member of Coopetrabatur banana co-operative, Costa Rica said: 'Before, I was someone that took a box and loaded it onto a train. That was my only responsibility. I was just a farmer who was an intermediary. In this new system, I have become an international businessman.'

Closing the gap between workers and managers

For plantation workers this empowerment is different – and often more difficult. Fairtrade-registered plantations must allow workers the freedom to join trades unions and establish a Joint Body of workers and management to oversee the use of the Fairtrade premium.



Mr Ruplal Raj is a plucker from Makaibari tea plantation in India, where all permanent workers are trade union members and union activists are members of the Joint Body. He explained: 'Through Fairtrade we have been able to organise ourselves. Before the Fairtrade Label initiative came to our plantation, we had to beg the owners for just a little thing. But they still did not listen to us. Now we are able to discuss matters together with the management. We have established a loan scheme for workers to obtain funds to invest, for instance, in a piece of our own land. We have been empowered and are able to discuss plantation matters with management in a team spirit.'

Closing the income gap

During 2000/1, the long-term trend of falling prices for key crops – coffee, bananas, honey, cocoa – accelerated faster, making Fairtrade all the more important.

In 2001 coffee prices hit a thirty-year low – so low it is barely worth farmers picking their crop. Mr John Kangagaile, of Kagera Cooperative Union in Tanzania, said: 'Some coffee farmers are wondering whether coffee farms are still worth being cared for as production costs can hardly be recovered out of the coffee proceeds. Bank loans can hardly be paid back and the interest continues to accumulate, education for our members' children cannot be paid, and the economy of our whole region, which heavily depends on coffee, is visibly and negatively affected.'

By contrast, under Fairtrade, farmers get a stable guaranteed minimum price that is calculated to cover the real costs of production and allow a decent standard of living. So, while in October 2001 coffee farmers got 45 U.S. cents a pound for quality arabica beans on the open market, the Fairtrade price was nearly three times more – a constant 126 cents.

In 2000 the benefit to producers from Fairtrade sales was estimated at £14 million above market prices. This is undoubtedly a conservative estimate because, with conventional markets fluctuating so wildly, it is hard to calculate exactly the Fairtrade mark-up. The security of a stable price is vital – enabling farmers to plan ahead. Moreover, Fairtrade has a wider effect: knowing some of their crop will fetch a Fairtrade price, farmers have the confidence to negotiate higher prices on the open market.

The farmers' organisations or the worker-manager Joint Bodies decide democratically how to use the extra income. Usually farmers get some cash in their hand, money that is always badly needed to make ends meet. Mme Fabius Mirtil from Haiti said 'I don't even want to think what would have happened without the cooperative. I could not have sent my son to school. The local intermediaries give you a miserly price for your coffee.'

Usually some money is invested in meeting the group's shared needs, such as:

- building up their organisation or improving the quality of their crops: In 2000 Conacado cocoa farmers in the Dominican Republic decided to invest the premium in four new nurseries to provide cheap cocoa seedlings to farmers hit by a hurricane. The nurseries' income will be invested in health care and educational projects – so yielding further benefits.
- social or environmental projects: The Joint Body at Kelliewatte Tea Estate in Sri Lanka invested in providing electricity to the workers' homes. This reduced respiratory problems from the smoke and enabled children to study at night – so improving their chances at school.
- environmental improvements: SOFA group of tea smallholders in Sri Lanka bought organic soil conditioners, enabling farmers to avoid agrochemicals.



Ms M. Sivapackiam, tea plucker, member of Stockholm Estate Joint Body and the Sri Lanka-wide Fairtrade Forum:

Since coming onto the Joint Body, I can speak out. I can have joint discussions with many people. Before, especially we women, were very afraid to talk to the manager. We wouldn't even walk on the path with the manager – we'd run into the fields when a manager was coming. Now we talk and discuss things with the manager.

Fairtrade sets the standard

Fairtrade companies and producers are blazing a trail – showing that you can put social priorities first and succeed on the shop shelf. As Pablo Dubois of the International Coffee Organisation said: 'In coffee the Fairtrade movement has clearly shown that producers can be paid double today's disastrously low prices without affecting the consumer's willingness to buy a good quality product'.

The Fairtrade Foundation is making sure those arguments are heard in the debates on globalisation. It is raising the benchmarks for what is acceptable, influencing future trade policies and pushing companies who do not sell Fairtrade to respond to consumer demand. As business magazine Newsweek (November 2001) wrote: 'Free marketeer, stand warned. There is another way to trade'.



SUPPORTERS SHOW THEIR PASSION

That so many of us now fill our shopping baskets with Fairtrade goodies is largely due to the boundless enthusiasm of people in schools, trades unions, churches and student and development groups. The Fairtrade Foundation does not have the deep pockets that major companies can dip into for huge advertising splurges, but these thousands of supporters are worth their weight in gold in sharing their passion with others.

Fairtrade Fortnight wakes up the nation

Supporters' activities peak in the major annual event – Fairtrade Fortnight – which, in March 2001, trumpeted a wake-up call. An estimated half a million people heard about Fairtrade through special events, including:

650 supermarkets doing special promotions,

2,500 events – with councils, MPs and coffee shops among those joining the fun as two producers from Ghana and the Windward Islands toured the country bringing the issues alive,

400,000 information leaflets were distributed by supporters; and action flyers, packs and materials reached thousands of campaigners via development agencies as well as the Fairtrade Foundation.

Star turns, which earned the workaholic organisers the much coveted Foundation's 'Fairy' awards, included Oxfam Northern Ireland who worked with Larne and North Down Councils on Fairtrade policies and the National Assembly which agreed a Fairtrade purchasing policy.



The Bishop of Salisbury having breakfast in bed in the town centre – winner of a 'Fairy' award.
Picture: Salisbury Newspapers Ltd.

In addition, the Foundation, with support from the Community Fund ran adverts designed by Team Saatchi in the Guardian, the Daily Mail and the Big Issue, so reaching a combined audience of seven million.

Even Prime Minister Tony Blair started the day with a Fairtrade coffee, saying: 'The buying power of consumers is leading to improvements in income and labour conditions for some of the poorest people in the world. Increasingly, consumers want to know that their food is produced and bought in fair, ethical and sustainable conditions. The Fairtrade Mark guarantees this.'

The result: a stunning 20% rise in overall sales after the Fortnight (comparing sales in six supermarkets before and after) and increased awareness among the public. According to a MORI poll in May 2001, one in five people now recognise the Fairtrade Mark (up from 12% to 20% over two years) and over 90% of these have a clear understanding of what it stands for.

In September, that success was celebrated at the Foundation's first campaigners' conference attended by over 100 campaigners as well as reps of producer groups. Many participants congratulated the Foundation on: **'the encouragement received from this day – I'm going home enthused after lots of good information swapping.'**

Fairtrade towns

In November a small Northern market town, previously better known as the birthplace of our motorway system, was once again in the fast lane – driving forward a new 'Fairtrade Towns' initiative. In Garstang a whopping 70% of people recognise the Fairtrade Mark. Primary school children can tell you the names of Fairtrade products, older kids have visited Fairtrade producers in Ghana, local hairdressers, cafés, supermarkets – everyone it seems – has woken up to Fairtrade.

'I hope that the beacon that has started in Garstang can spread like wildfire through the whole of the country.' George Foulkes, then Under Secretary of State for International Development.

And he could be right. Hot on the heels of Garstang, cities up and down Britain, from Salisbury to Chester, Cambridge to Strathaven, set their minds to winning Fairtrade status, helped along by a handy 'Fairtrade Town Goals and Action Guide' produced by the Fairtrade Foundation and available on our website.



Growing support

In May 2000, the Fairtrade Foundation re-launched its website. Visits to the site increased five-fold during Fairtrade Fortnight, and the number of hits doubled over the last year to reach 334,000 by the end of 2001.

The number of individuals subscribing to our newsletter, 'Fair Comment', has also more than doubled to almost 13,000, with half the additional subscribers signing up during Fairtrade Fortnight 2001. A smaller list of special campaigners has been created for those wanting more regular news and ideas for actions.

Also in 2001, a network of speakers was set in motion to cope with the mushrooming demand for people to talk about Fairtrade at a huge variety of meetings.

From this base, Fairtrade is being taken up by a wide range of groups. One of the year's landmarks was the rising support from trades unions with both the TUC and the TGWU supporting Fairtrade.

Bill Morris, TGWU General Secretary:



I don't see a bigger issue for the T&G today... We must, as a union, extol the virtues of Fairtrade and commit to use Fairtrade, both as a union and as individual consumers.

Woman to woman

A new project linked women farmers and shoppers. Two Women's Institute members won the competition to visit Windward Island banana farmers and were filmed gallantly digging the land. The 'Fields of Gold?' resource pack, including the video of their trip, is being distributed to hundreds of women's groups across the country. Helen Carey, Chairman of the National Federation of Women's Institutes, which is running a 'Buy local, buy Fairtrade' campaign, said: ***'When you buy a Fairtrade product or support your local producers it says that you care about creating a fairer world, and care enough to put your money where your mouth is. Every purchase is a vote for a better world.'***

Getting the picture in the papers

The Fairtrade Foundation has worked hard to ensure good and ever-increasing coverage across the spectrum of the media, which is so important if more people are to buy into Fairtrade. Over 2000/1, Fairtrade was featured in Newsweek, women's magazines such as Marie Claire, the BBC Good Food Magazine, the Department for International Development's magazine, Which?, several supermarket magazines as well as on key radio and TV programmes including the Today Programme, BBC TV News and Open House with Gloria Hunniford. Journalists were introduced to farmers in Cuba and the Windward Islands, and were able to bring the issues into people's homes.

Star-studded support has been important in winning over the public, with celebrities such as Michael Barry, Cherie Booth and Paul Merton sharing their passion.

Clare Short, Secretary of State for International Development:



Fairtrade is playing an increasingly important role in helping to ensure that the benefits of trade reach the poorest people in the world. Not only is it establishing codes of practice and improving the conditions of workers, but it is stimulating mainstream producers to look at their own practices in a more responsible light.

Ovidia Rosario sells all of her cocoa to her farmers' association, a member of the Conacado farmers' co-operative in the Dominican Republic. She is also one of the directors of her local women's group and for her Fairtrade means that You unite to make yourselves more powerful – to combine forces.



SHOPPERS SHARE THE PLEASURE

£1.45 a second and rising!

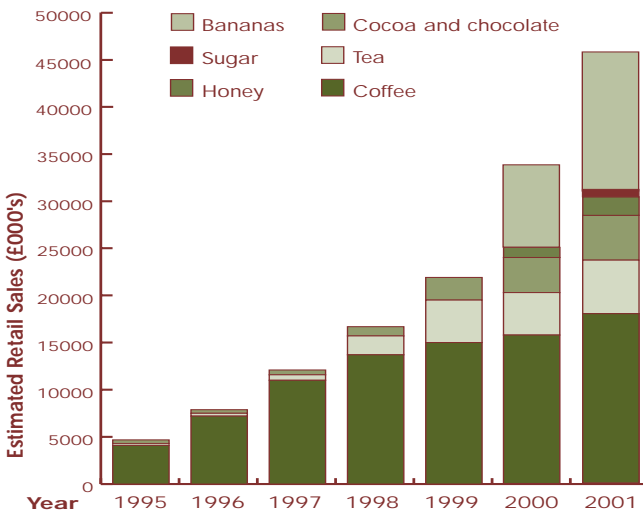
Fairtrade products achieved a spectacular sales increase of 40% during 2001, reaching an unprecedented level of £46 million. This meant that British consumers spent £1.45 every second on Fairtrade products. It also brings the UK into joint first position (with Germany) for the overall value of the national Fairtrade market. However, the spend per head of population is still around one sixth of Switzerland's, which shows how much potential there is for further growth.

Sales of the products that carry the Fairtrade Mark are not the direct responsibility of the Foundation. Due credit belongs to the companies that licence the Fairtrade Mark for the professionalism and dedication they show in their marketing work, to retailers for their support of Fairtrade – and, of course, to consumers who are responding so magnificently.

Product sales are, however, a key measure of the efforts of the Foundation and its partners to communicate the Fairtrade message. More importantly, they also reflect the benefits that flow to producers from Fairtrade – even in such a successful year, our message remains the same:

**more people buying more products
means more producers
can enjoy a decent standard of living.**

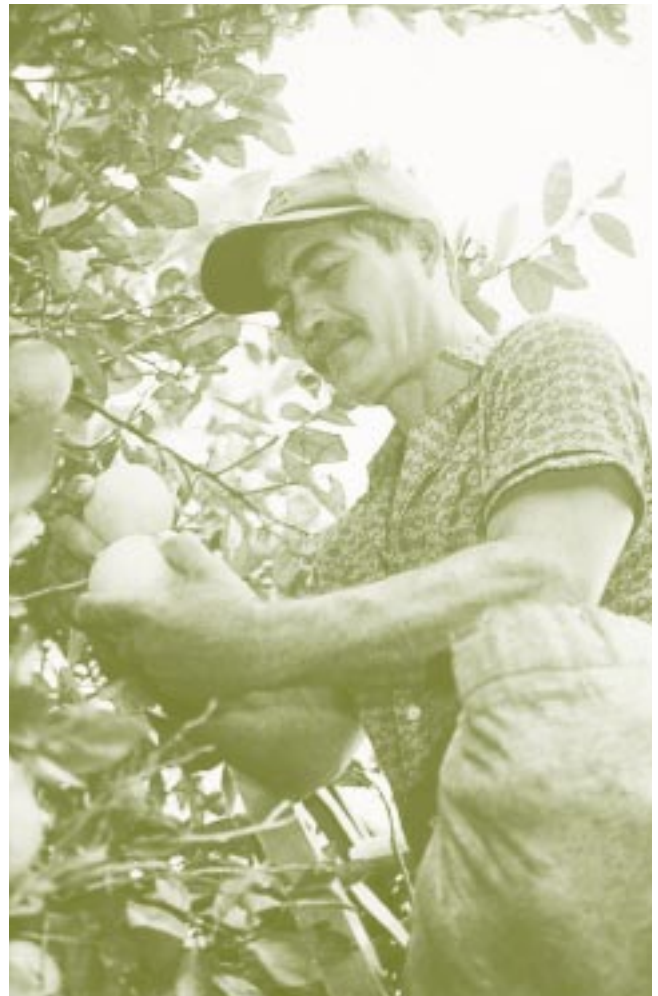
Fairtrade Sales 1995–2001



New products

Orange juice made its first appearance in the UK under the Fairtrade Mark with a range of drinks from Gerber called Fruit Passion. The company, Europe's largest juice processor, which owns the Ocean Spray and Libby's brands, has worked with Traidcraft to develop Fairtrade

juice from Cuba. As well as a pure orange juice, the range includes two blends – one with grapefruit and the other with tropical fruits such as mango and pineapple. The products come in brightly coloured packs featuring pictures and quotes of the Cuban farmers.



José Nuñez, orange farmer, Cuba

This means that all the products for which international Fairtrade standards currently exist are available in Britain. The expansion of the Fairtrade range into new products is a priority for FLO International and its members, and the Foundation is taking a lead in researching new opportunities for more producers to meet growing consumer interest (see *A Fairer Future* on pages 10 & 11).

Meanwhile, there is much potential for spreading the benefits of Fairtrade through increased sales of our core products, and by developing composite products in which Fairtrade commodities are key ingredients. So the Foundation was delighted to announce the long-awaited arrival of Windward Islands Fairtrade bananas in July 2000, and to see many licensees add to their product ranges – such as Day Chocolate Company's Dubble bar,