

THE FAIR TRADE
FEDERATION



**2005 Executive
Summary:
FAIR TRADE
TRENDS IN
NORTH AMERICA
AND THE
PACIFIC RIM**

1612 K St. NW, Suite 600 • Washington, DC, 20009 • 202.872.5338
www.fairtradefederation.org • info@fairtradefederation.org

I. EXECUTIVE SUMMARY

Fair Trade at its core is about people: the skilled men and women in Africa, Asia or Latin America who produce the goods that are being fairly traded, as well as the thoughtful and inspired consumers who stick their necks out and use their power to purchase, to choose one product over another, in order to make a real difference in the world. All of us engaged in and energized by this dynamic form of producing social and economic change love to hear the stories and the personal side of these exchanges. They are what motivate us! And Fair Trade humanizes the ruthless and anonymous global marketplace in which we all live and work. Yet now, more than ever, with Fair Trade becoming a market and commercial phenomenon to be reckoned with by all players — the large, the very, very large, and the small alike — we all need the facts and figures. So this signature publication of the Fair Trade Federation is becoming a hot and sought-after item, we are happy to report. This modest but extremely useful report was the brainchild of Chris O'Brien, Executive Director of the Fair Trade Federation until December 2003. And we are proud to have picked up the challenge of continuing this work and issuing this updated report to cover 2003 and 2004.

This year the report reflects a steady attempt to improve on the earlier methodology, the presentation and contextual information for readers, plus it includes, the newly added territory of Mexico (in an initial and pilot form) in an effort to more adequately live up to its purported jurisdiction! Mexico is almost unique in the Fair Trade universe, being both significant producer and exporter of fairly traded products and also a growing consumer of these. We will continue to seek improvement. From our panel of reviewers this year we had an abundant supply of suggestions for next year's report. We urge our readers to join this effort also, sending us your thoughts, proposals, and offers (where feasible) of data, information, time, and funds. This will enable us to continue documenting this significant market and force for change and economic justice. We would especially welcome associate researchers or a University Department engaged in systematic academic work on Fair Trade as partners in a future project. See Appendix D for more on this.

What does the report tell us? In no uncertain terms the market is growing very significantly. Total Fair Trade sales in 2003 reached \$291.75 million — a 52 percent increase over 2002. With \$376.42 million in estimated Fair Trade sales for 2004, the trend appears to be continuing, if not accelerating. This represents an exciting moment for Fair Trade: will mainstream distribution spread to the non-traditional Fair Trade commodities? Will FTF membership continue to grow at its present breakneck speed of 30-40 percent a year representing a flurry of new and existing businesses joining this market? Will some pioneering mainstream retailers and catalogue pick up Fair Trade clothing as predicted by some of our interviewees? OR will a sudden marketing leap for accessories or jewelry transform the opportunities for marginal artisans throughout the world? We have seen large corporations like

The findings of the 2005 Fair Trade Trends Report clearly demonstrate that the Fair Trade movement has continued to grow rapidly over the past two years. The sheer increase in market sales and volumes of Fair Trade products and the deepening commitment of organizations and individuals to the cause are testimony to Fair Trade's continued success.

In this report, in addition to providing information on industry structure, sales, product

sourcing, employment, services to producers, and advocacy, we have expanded our coverage of the Fair Trade movement in several ways. First, we have included data from Comercio Justo, Mexico's own Fair Trade certification organization that is affiliated with the Fairtrade Labelling Organization (FLO-International). Second, we have reached out to NGOs in Canada and the United States to include more in-depth information on their Fair Trade advocacy and education initiatives. Responses from such NGOs as well as from FTF and IFAT members also contribute to the third addition to the report: the producers.

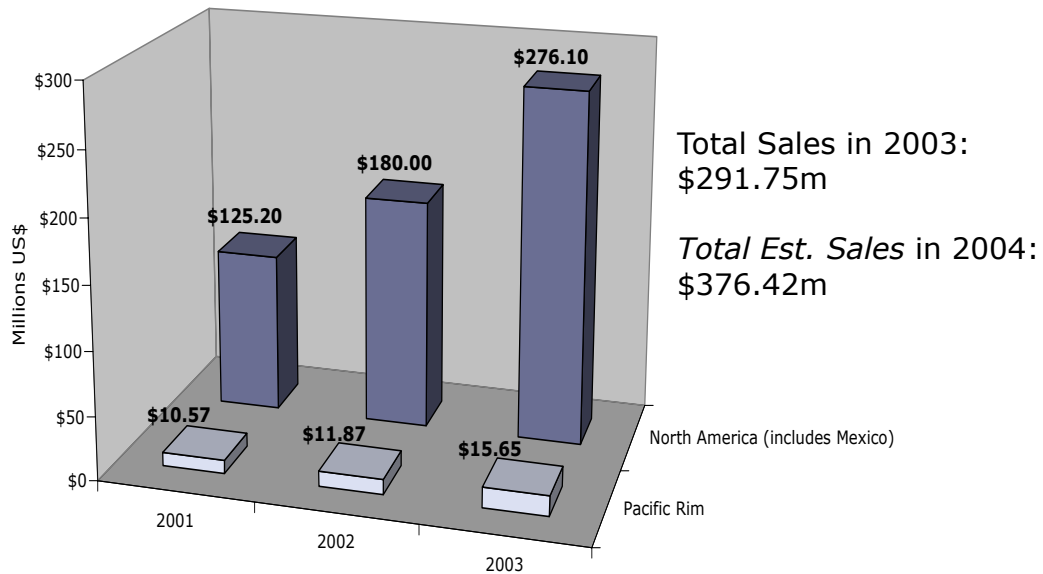
At the heart of Fair Trade are the farmers, the artisans, and the craftsmen and —women, who are responsible for producing Fair Trade goods in the first place. How does Fair Trade affect them, their families, and their communities? In collecting the information for the 2005 Trends Report, we have initiated a new effort to capture the producer side of Fair Trade in addition to the marketing and consumer sides. We hope that with these new additions to the Fair Trade Trends Report, we will paint an accurate and more comprehensive picture of the Fair Trade market as it stands today. With this report we also invite further dialogue on how to track the Fair Trade movement with the goal of expanding our coverage in future reports.

The FTF hopes that this report will contribute valuable information for use widely in Fair Trade campaigning, consumer education, marketing strategies, planning for business growth, and in academic work and research, and generally give a clearer, fact-based vision of the Fair Trade movement and its progress. The figures and data in this updated edition are available nowhere else and provide full, detailed information on Fair Trade trends in 2003. The 2004 trends, which are also included in this report, are based on data and estimations, since many of the member companies still did not have their final, audited figures at the time of the data collection for the report in January-February 2005.

When using this report as a resource for information on the Fair Trade market, please keep in mind that the findings presented here are trends. We have made every effort to include the various actors involved in Fair Trade sales in North America and the Pacific Rim; however, this should be considered as more of a survey than a complete inventory of every actor. Therefore, the figures and data in this report represent our presentation and interpretation of solid data, but necessarily not a fully comprehensive picture, since no actual mechanism exists for this and the process relies on the cooperation and support of the many Fair Trade businesses and certification bodies in the region. For questions on the methodology used to prepare the report, please refer to Section IV.

THE 2005 BOTTOM LINE: FAIR TRADE KEEPS GROWING!

**Figure 1. Total Gross Sales
North America & Pacific Rim, 2001-2003**



**Table 1. Total Gross Sales of Fair Trade Industry
North America & Pacific Rim, 2001-2004**

		All \$ in millions	2001	2002	2003	2004	% Change 2002- 2003
North America (Canada, US, & Mexico)	FTF & IFAT Members		\$48.20	\$56.20	\$65.73	\$75.81	17%
	TransFair USA (Coffee Only)		\$85.60	\$131.00	\$208.00	\$369.00	59%
	TransFair Canada (Cocoa, Coffee, Sugar, & Tea) ¹		\$5.40	\$9.10	\$17.46	\$27.14	92%
	Comercio Justo		N/A	N/A	\$0.22	\$0.30	N/A
	SUBTOTAL		\$139.20	\$196.30	\$291.41	\$472.25	48%
	Less FTF/IFAT Coffee Sales ²		\$14.00	\$16.30	\$15.29	\$113.30	
	Less Canada Tea/ Sugar/ Cocoa Sales		N/A	N/A	\$0.02	\$0.04	
	TOTAL N. AMERICA		\$125.20	\$180.00	\$276.10	\$358.91	53%
Pacific Rim (Japan, New Zealand, & Australia)	IFAT members		\$9.90	\$11.30	\$14.16	\$14.85	25%
	Fairtrade Label Japan (Transfair in Japan) ³		\$0.90	\$0.85	\$1.49	\$2.66	76%
	Transfair NZ/ Australia		N/A	N/A	N/A	N/A	
	SUBTOTAL		\$10.80	\$12.15	\$15.65	\$17.51	29%
	Less Japanese IFAT members Coffee Sales ⁴		\$0.23	\$0.28	\$0.00	\$0.00	
	TOTAL PACIFIC RIM		\$10.57	\$11.87	\$15.65	\$17.51	32%
GRAND TOTAL			\$135.77	\$191.87	\$291.75	\$376.42	52%

¹Transfair Canada sales for 2001 & 2002 are for coffee only; 2003 sales figures are from TransFair Canada website; exchange rate of 1\$Can=.78 \$US used.

²Coffee, tea, and sugar sales were deducted in order to avoid double-counting since these tend to be items that are certified by the Fairtrade Labelling Organization affiliates (Transfair, Comercio Justo, and Fairtrade Label Japan).

³2001 & 2002 sales figures were incorrectly reported in the last report. They have been adjusted according to the figures provided by Fairtrade Label Japan.

⁴Only IFAT members in New Zealand and Australia reported coffee sales for 2003 therefore no deductions were needed.

HIGHLIGHTS OF THE REPORT FINDINGS:

1. Coffee continues to be the forerunner of the Fair Trade movement – especially in North America

- In North America, the highest proportion of FTF & IFAT members' sales in 2003 came from certified Fair Trade coffee (32% of gross sales or \$15.29 million).
- The total volume of coffee certified by TransFair USA, TransFair Canada and TransFair Japan in 2003 increased by 89% to 20.16 million lbs. The change in the volume of coffee sold in Japan was the greatest but the United States market continues to represent nine-tenths of the volume of coffee sold (18.66 million pounds in 2003 alone). In 2004, we estimate that the volume of Fair Trade coffee sold rose by another 74% to a total of 35.16 million lbs.
- The retail value of TransFair USA certified coffee increased by 59% in 2003 for a total of \$208 million and by 77% in 2004 for a total of \$369 million.
- The retail value of TransFair Canada certified coffee increased by 55% in 2003 for a total of US\$15.46 million and by an estimated 51% in 2004 for a projected total of \$23.4 million. Including certified cocoa, tea, and sugar, the total market for TransFair Canada product increased by 61% in 2003 to US\$17.25 million and by 55% in 2004 to \$26.81 million.
- Between 2003 and 2004, Comercio Justo México (TransFair affiliate) reported a 36% increase in the Fair Trade coffee sales.
- For Fairtrade Label Japan (formerly TransFair Japan), certified tea and coffee sales in 2003 grew by 76% to \$1.49 million and by 78% in 2004 to \$2.66 million.

2. Coffee is not the only driver of the growing market

- Increases in the sales of jewelry, gifts, handcrafts, non-certified foods, and textiles in North America and the Pacific Rim are also contributing to the growing market.

3. Producer Regions: Asia is still the lead producer region of non-cer-

tified products for FTF and IFAT members. For Fair Trade certified sales, Central America is the top region

- In 2003, the largest source of Fair Trade products for IFAT and FTF members was Asia, which represents 46% of the Fair Trade US\$ value. Although Asia is not the main producer of coffee (the Fair Trade product with the current highest value), it is one of the main sources of such items as handcrafts, jewelry, rugs, gifts, etc. Much of the coffee sales originate in the other important Fair Trade producing regions: South America (24%), Central America (16%) and Africa (9%), which together comprise 49% of the Fair Trade market.
- In terms of Fair Trade Certified™ production, Transfair USA reports that Central America and Mexico represent over half (111) of the total number of Fair Trade Certified™ coffee cooperatives (218). TransFair USA also report that for all certified cooperatives (includes cooperatives that produce Fair Trade Certified™ coffee, tea, fresh fruit, and cocoa), Central America is again the leader, representing more than one-third of the total cooperatives.

4. Rising numbers of people are directly involved in the Fair Trade industry in North America and the Pacific Rim

- The number of people working in 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 5,250 in 2003 (a 61% difference from 2002). Approximately 75% of these were volunteers and 25% were full or part-time employees.

5. Future Trends

- According to estimated and actual sales figures given for 2004, the Fair Trade market grew by approximately 22% to \$376.42 million. Market growth, however, is not reserved solely for coffee. FTF and IFAT members anticipate that sales of jewelry, apparel, gifts, textiles, and handcrafts will also continue to grow significantly.