



## Sustained Demand for Fair Trade Products in Economic Downturn

K. Jesse Singerman and Tony Olson

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In spite of the challenging economic situation of the last year consumers have shown sustained commitment to Fair Trade products, confirming their support for ethical trade practices and responsible supply chains with their purchases. Even in the midst of the downturn Fair Trade goods have demonstrated impressive growth rates both worldwide and in the United States.

The size and scope of the Fair Trade market is usually tracked in terms of pounds imported. TransFair USA, the only third party certifier of Fair Trade products in the United States, estimates that in 2008 roughly 128 million pounds of Fair Trade Certified goods were imported into the US, a growth of 47 percent over 2007. As has been true for many years, the

largest Fair Trade certified product in the United States is coffee, which represents a dominant 69 percent of total pounds imported, still growing at 32 percent. However, it should be noted that produce (primarily bananas), flowers, and cocoa also showed extraordinarily strong growth in 2008.<sup>i</sup>

One important measure of the movement's impact and consumer acceptance in the United States is the portion of Fair Trade sales tracked by SPINS, a market research and consulting firm for the Natural Products Industry. SPINS reports retail sales data of UPC-coded natural and organic products sold through natural product supermarkets and conventional food, drug, and mass merchandisers (FDM). SPINS has tracked Fair Trade claims in certain categories for many years, including Coffee & Cocoa, Tea, Candy, Sweeteners. Recently their analysis has expanded to other categories of composite products that make use of Fair Trade certified ingredients, such as Frozen Desserts and Baking Mixes. For the 52-week period ending 8/8/2009, sales of Fair Trade products in SPINS retail channels totaled \$175.4 million growing at 31 percent, markedly above average growth rates in either channel for the 52 week period.

Melanie Knitzer, Vice President of Sales for Honest Tea explains the strong growth of Fair Trade products this way, "Honest Tea was proud to be the first organic ready-to-drink tea on the market and equally proud to be the first Fair Trade certified ready-to-drink. In particular our natural customers really want Fair Trade products and are very much on-board with the concept. At this point our top selling SKU's are all Fair Trade certified and we see it as part of our company's mission to 'grow with the same honesty that we craft our products.' "

Creating long-term relationships with suppliers who earn relatively stable prices, including minimum floor prices and social premiums are foundational concepts in the Fair Trade model. Business involved in these innovative supply chains agree to operate according to internationally accepted guiding principles that extend fair prices, fair labor conditions and environmentally beneficial practices to farmers in developing countries. The concepts of Fair Trade extend back into the last century but they have become more familiar as they have been applied to an increasing number of product categories in the last 10 years, and more recently as the label has started to appear on composite products such as baking mixes, soaps and ice cream, using Fair Trade certified ingredients like oils, tea and sugar.

The most obvious example of the sustained success of Fair Trade in the United States is coffee. In its tenth year in the market, Fair Trade coffee still grew by over 30 percent in pounds imported and is now widely available to consumers in many different settings. Cate Baril, Director of Business Development for TransFair USA, noted the high degree of consumer pull through for Fair Trade coffee, “The growth in Fair Trade coffee in the US has been sustained and impressive. Fair Trade coffee is now sold in virtually all venues and forms possible, and for many of the companies we certify the growth of their Fair Trade SKU’s has actually surpassed the growth of their conventional items during the recession.”

In 1986 Equal Exchange was the first commercial enterprise to introduce Fair Trade coffee to retail shelves in the US. Since then they have guided both the small farmer cooperatives they work with and their own brand to striking success. According to Rodney North, The Answer Man at Equal Exchange, “Coffee still represents 80 percent of our revenue and we now sell coffee to all major types of retailers, distributors, and food service outlets, as well as directly to the interfaith community. The appeal of Fair Trade resides in a very basic human impulse – that of doing right by other people. This isn’t restricted to any one demographic or geography. We see it embraced by natural product consumers on both coasts, and at the same time welcomed by Methodists in Texas and Lutherans in Minnesota. That broad consumer appeal has allowed us to develop other Fair Trade product lines; for example, both chocolate and bananas are successful high growth areas for us.”

T.J. Whalen, the Vice President of Marketing for Green Mountain’s Specialty Coffee Business Unit clarified it this way, “Our customers and consumers view Fair Trade as a cause they can continue to support during the downturn because it provides great products with a positive outcome for all concerned. Coffee continues to lead the Fair Trade market in the US for a couple of reasons; it was the first category to be certified, and due to many years of coffee industry advertising consumers already had a notional idea that there was an actual coffee grower at the end of the supply chain. It was a natural progression to accept the idea of being fair to a real person. In addition, many of the early adopters like Green Mountain pushed Fair Trade coffee into the mainstream. We believed it was a consumer proposition with broad appeal and we’ve been proven right in that.”

SPINS data for the 52 week period ended 8/8/09 confirms these observations, showing coffee in the conventional FDM channel growing at 62 percent and representing the vast majority of FDM Fair Trade sales at almost 70 percent of dollars sold. The data also speaks to the large impact that conventional brands can have in the market when they adopt sustainability claims. For example, Yuban’s use of Rainforest Alliance Certified sustainable coffee beans has been very successful for them and they enjoy high growth numbers. Although the Rainforest Alliance Certification differs in many respects from the Fair Trade certification offered by TransFair and these beans represent only a small proportion of Yuban’s purchases, the company is still able to state “As the world’s largest supporter of Rainforest Alliance Certified™ coffee beans... Yuban helps to protect the environment and support the people and wildlife in coffee-growing regions.”<sup>ii</sup> Their consumer has responded well to these claims.

In addition, smaller categories such as Baking Mixes, RTD teas, candy, and seasonings are also showing double-digit growth in the FDM channel, suggesting that consumers in this channel both understand and accept the premise of Fair Trade.

In contrast, natural product supermarkets demonstrate deeper and more balanced item selection and sales results for Fair Trade products. Sales results by region are fairly evenly spread, and don’t show concentration in one geography or another. For natural product supermarkets tracked by

SPINS, the largest region in dollar sales for the 52 week period ended 8/8/09 is the Mid-Atlantic with 20 percent of Fair Trade sales, and the fastest growing region is the North Central with 21 percent growth. Sales results are spread over more categories in the natural channel and sales dollars are more evenly divided among the top five categories, including Soap and Bath preparations, Teas, Coffee & Cocoa, Candy, Carbonated Functional and RTD Teas, and Sweeteners. This seems to confirm the idea that natural product consumers are more familiar with the Fair Trade label and have adopted it in more categories. Soap and Bath preparations represent the largest Fair Trade category in the natural channel for this 52 week period, driven almost entirely by Dr. Bronner's Magic "All One!" adoption of Fair Trade ingredients in their soaps; including Fair Trade Certified olive oil, coconut oil, palm oil and sugar. This represents 95 percent of Dr. Bronner's annual agricultural volume of raw ingredients.<sup>iii</sup>

Global support for Fair Trade products has continued strong through the economic downturn. Fair Trade Labeling Organizations International (FLO), the leading international standard setting and certification body reported 22 percent growth for worldwide sales of Fair Trade products in 2008.<sup>iv</sup> FLO also reported results of a 15 country study of consumer attitudes toward Fair Trade and ethical labeling. The study, completed late in 2008, found half of the public in these countries now familiar with the Fair Trade label, and 90 percent of those consumers stating they trust the label.<sup>v</sup>

FLO estimates sales for Fair Trade goods worldwide at €2.9 billion Euros for 2008. The largest individual market is now the UK with a 2008 growth rate of 43 percent. The US ranks second with estimated sales of Fair Trade Certified goods at €758 million Euros, growing at 10 percent. Major business partnerships and commitments recently announced, including a commitment by Cadbury to convert their best selling Dairy Milk Chocolate Bar to Fair Trade certified cocoa in 2009 and a commitment by Starbucks to double its purchases of Fair Trade Certified coffee should continue the steep increase in sales in the coming years. <sup>vi</sup> As Michael Skapinker commented in the *Financial Times*, "Cadbury has decided that its interest lies in long-term relationships with suppliers who earn a decent living. I suspect it will not be the last company to reach that conclusion." <sup>vii</sup>

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## SIDEBAR



### What does the Fair Trade Certification label mean?

By: K. Jesse Singerman

Products that bear the Fair Trade Certified label have passed a system of audits and verifications that insure Fair Trade Standards have been adhered to from farm to the finished product. The standards are set by Fair Trade Labeling Organizations International (FLO), with input from an international assembly that includes both producer co-ops and national fair trade organizations. Fair Trade Standards encompass the social, economic, and environmental aspects of agricultural production systems, as well as terms of trade for the buying and selling of goods. The standards guarantee a minimum price considered as fair to producers, and provide a premium that the producer must invest in projects that enhance its social, economic and environmental development.

The certification process itself consists of physical audits, inspections and monitoring performed to ISO 65 standards by FLO-CERT, an independent third-party inspector and certifier. National organizations termed "Labeling Initiatives" then license individual companies to use the Fair Trade Certified label on consumer products in their countries, and work to promote the concept of fair trade to consumers. For example, TransFair USA is the entity that verifies industry compliance with Fair Trade criteria in the U.S. and allows companies to display the Fair Trade Certified mark on their products. This system of certification and audits verifies compliance with internationally accepted Fair Trade Standards, and represents a trustworthy consumer guarantee. In fact, Consumers Union rates the Fair Trade Certified label as meeting the criteria it uses to evaluate the best eco-labels: the label is meaningful and verifiable, consistent and clear, transparent, independent and protected from conflict of interest, and allows opportunities for input from multiple stakeholders.<sup>viii</sup>

Much more information about the fair trade movement and the Fair Trade Certified label is available from FLO at <http://www.FairTrade.net> and from TransFair USA at <http://www.transfairusa.org>.

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## END NOTES

<sup>i</sup> TransFair USA, *Almanac: 2008*, [http://transfairusa.org/pdfs/almanac\\_2008.pdf](http://transfairusa.org/pdfs/almanac_2008.pdf) (Accessed 8/20/09)

<sup>ii</sup> Yuban, <http://www.yuban.com/yuban/page?siteid=yuban-prd&locale=usen1&PageRef=1> (Accessed 9.3.09)

<sup>iii</sup> Dr. Bronner's Magic "All One!", [http://www.drbronner.com/fair\\_trade.html](http://www.drbronner.com/fair_trade.html) (Accessed 9.3.09)

<sup>iv</sup> Fair Trade Labeling Organizations International, *Fair Trade Leading the Way*, FLO Annual Report 2008- 2009. Page 2. [http://www.FairTrade.net/fileadmin/user\\_upload/content/2009/resources/FLO\\_ANNUAL\\_REPORT\\_0809.pdf](http://www.FairTrade.net/fileadmin/user_upload/content/2009/resources/FLO_ANNUAL_REPORT_0809.pdf) (Accessed 8.12.09).

<sup>v</sup> FLO Annual Report 2008- 2009. Page 2.

<sup>vi</sup> FLO Annual Report 2008- 2009. Page 12.

<sup>vii</sup> Skapinker, Michael, "Fair Trade and a new ingredient in business," *Financial Times*, March 9, 2009.

[http://www.ft.com/cms/s/0/5727e96e-0ce2-11de-a5550000779fd2ac.html?ncklick\\_check=1](http://www.ft.com/cms/s/0/5727e96e-0ce2-11de-a5550000779fd2ac.html?ncklick_check=1) (Accessed 8.13.09).

<sup>viii</sup> Consumer Reports, *Greener Choices, Eco-Labels center*,

<http://www.greenerchoices.org/ecolabels/label.cfm?LabelID=5&searchType=Label&searchValue=fair%20trade&refpage=labelSearch&refqstr=label%3Dfair%2520trade> (Accessed 9/3/09).

## **About Jesse Singerman**

Jesse is one of the organic and natural food industry's most accomplished leaders, visionaries and strategists. Now President of Prairie Ventures, LLC, which specializes in emerging growth strategies as well as natural and organic programs in conventional settings, Jesse has recently developed an MBA level Sustainable Business course at the University of Iowa. She will begin teaching this course in 2009. She also currently serves on the boards of directors for Frontier Natural Products Co-op and Taproot Nature Experience, as well as on the Leonardo Academy Standards Development Committee of the National Standard for Sustainable Agriculture Practices.

Previously, Jesse spent 20 years as President and CEO of Blooming Prairie Warehouse, a successful cooperatively owned natural products distributor and early leader in socially responsible business practices. Jesse holds an MBA from the University of Chicago and a Master's degree in Clinical Psychology from the University of Iowa.

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## **About Tony Olson and SPINS, Inc.**

Tony Olson is the majority Owner, Chairman and CEO of SPINS, Inc. Tony has over 14 years experience in the Natural Products Industry, having worked in both the manufacturing and information services sectors. Tony has been with SPINS since April 1999. In that time, SPINS has become the leading source of fact-based sales information for the Natural Products Industry, supporting the growth of all classes of trade. Tony brings experience in developing and implementing sales growth and cost control strategies. He also has a strong understanding of manufacturer and retailer information needs and has the vision required to lead SPINS into the next phase of development.

**SPINS** ([www.spins.com](http://www.spins.com)) is the first company to offer Natural Products sales data to the industry. Established in 1995, SPINS is now the premier provider of industry reporting and consulting services for this rapidly expanding sector. SPINS' comprehensive offering includes retail measurement services, content-based reporting, consumer information and consulting services.