Fair Trade Annual Report 2018 for Coconut

Fair Trade 101, Supply Chain Spotlight and Marketing Insights

By Fair Trade USA
Agenda

- **Fair Trade 101**
- **Supply Chain Spotlight Coconut**
- **Marketing Insights and Tools**
- **How to Use This Report**
Fair Trade 101
As of 2018, producers have earned a total financial benefit of $610 million through sales of Fair Trade Certified™ products, including over $400 million in Community Development Funds and $200 million as a result of the Fair Trade Minimum Price.

We Are Fair Trade USA®

- Nonprofit organization founded in 1998
- Over 250 Fair Trade Certified ingredients available
- Over 1,250 businesses selling 40,000+ Fair Trade Certified products in North America
- 950,000 farmers & workers in 50+ countries impacted in 2018
Nearly $59.4 million of Fair Trade Premium was generated in 2018 alone.

2018 Premium generated by category

- **Coffee**: 35.2 millions (USD)
- **Cocoa, tea, sugar, coconut, and other**: 9.9 millions (USD)
- **Produce & Floral**: 9.2 millions (USD)
- **Apparel & Home Goods**: 4.4 millions (USD)
- **Seafood**: 0.6 millions (USD)

*These numbers are estimates based on an initial analysis*
Fair Trade USA’s Global Model of Transformation

Harnessing the market to generate impact and scale

We believe economic empowerment and sustainable livelihoods are the basis for a market that works for everyone. From poverty to climate change to struggles with health and safety, incredible challenges face people all over the world who are simply trying to earn a living. Fair trade provides a way for producers, businesses, and consumers to help make positive, transformational changes, for themselves and for others, every day.

We empower businesses to source fair trade ingredients and support a system that treats everyone with respect. The Fair Trade Certified seal represents a conscious choice to support ethical, sustainable, and safe supply chains.

We work closely on the ground with producers and certify transactions between companies and their suppliers to ensure that the people making Fair Trade Certified goods work in safe conditions, protect the environment, build sustainable livelihoods, and earn additional money to empower and uplift their communities.
Components of the Fair Trade USA model are designed to drive meaningful change at all levels of the supply chain.

**Rigorous Standards**
Through compliance with rigorous fair trade standards, farmers and workers benefit from improved workplace safety and health, sustainable livelihoods, and an opportunity to engage and participate.

Six core modules of fair trade standards range from fundamental rights at work to biodiversity and sustainable production.

Third-party certifier audits ensure standards are met and maintained.

**Fair Trade Premium**
Producers who meet these standards receive a Fair Trade Certificate to sell their products under fair trade terms, earning an additional amount of money that goes into a Community Development Fund with every sale.

These additional funds have enabled important investments like clean water, education, and health care.

**Producer Empowerment**
Fair trade standards uphold the rights of farmers, workers, and fishermen to organize and participate in Fair Trade Committees.

This committee assesses needs and manages the use of Community Development Funds.

Field staff at origin support producers with training, organization assistance, pre- and post-audit compliance support, and financial literacy.

**Market Activation**
Retailers and brands adhere to the Trade Standard and activate the fair trade system with each purchase of a Fair Trade Certified ingredient like sugar or tea.

Consumers activate the fair trade system with each purchase of a Fair Trade Certified product.

Fair Trade USA is the leading certifier of fair trade products in North America.
Compliance with the six core modules of the Agricultural Production Standard enables producers to access the fair trade market.

1. **Empowerment**
   Guides the identification of the Premium Participants, democratic election of the Fair Trade Committee, and management and spending of Premium funds on needs-based projects.

2. **Fundamental Rights at Work**
   Outlines rights for individual and collective well-being and autonomy, including freedom from forced or child labor and discrimination, protections for young workers, and freedom of association.

3. **Wages, Working Conditions, & Access to Services**
   Sets requirements to improve farmer and worker health and safety, working hours, fair wages, and benefits, and to promote supportive work environments and open communication.

4. **Biodiversity, Ecosystem Function, & Sustainable Production**
   Helps protect biodiversity, soil productivity, and water; control risks from pesticides and waste; enhance resilience to climate change; and improve the environment, health and quality of life of farmers, workers, and their communities.

5. **Traceability & Transparency**
   Provides a framework for the traceability of Fair Trade Certified™ goods, and ensures that Fair Trade agreements between the Certificate Holder, suppliers, and market partners are bound by fair and transparent contracts.

6. **Internal Management System**
   Outlines requirements for the Certificate Holder and others under the Certificate to ensure compliance with Fair Trade USA's Agricultural Production Standard requirements.
Fair Trade Premium spending follows a rigorous process ensuring that producers are represented and community needs are met.

The Certificate Holder identifies Fair Trade Premium Participants and proposes an initial Fair Trade Committee (FTC) structure.

The FTC is formally constituted and the first Needs Assessment is done.

The FTC develops a Fair Trade Premium Plan based on the Needs Assessment and gains approval of the Plan from the Fair Trade Premium Participants.

The FTC updates the Needs Assessment, Premium Plan, and Governance structure as needed.
Community Development Funds create long-term value across and beyond the supply chain.

Collective empowerment:
Fair Trade Committees build leadership skills and strengthen the group of beneficiaries.

Investment enabling long-term impact:
Pooling Community Development Funds enables larger investments that provide benefits over the long term.

Strengthened producer-management relationships:
Collaboration and group decision-making about the use of Community Development Funds begins a group empowerment journey.

---

Community
The impact of fair trade extends beyond workers and farmers to their spouses, children, and other community members, leading to a broad scope of Premium beneficiaries.

Certificate Holder
Ensure farmers meet fair trade standards and manage sales to market partners.

Market Partners
Many group spending projects, like building schools and health clinics, have an impact that is easy to communicate to consumers, enabling brands to tell their fair trade story.

Farmers and Workers
Adhere to the Agricultural Production Standard and vote for Premium projects suggested by their elected Fair Trade Committee members.
Market partners like manufacturers, brand-holders, and traders close the certification loop by complying with the Trade Standard.

Traceability requirements in the standard capture the movement of product though the supply chain. All parties along the supply chain need to be registered and are audited to the applicable fair trade standards.
Supply Chain Spotlight
Coconut
Coconut is grown mostly by smallholders in the Asia Pacific

Fair Trade USA Origins:  
Other Top Tea Producing Countries:

*Active defined as selling into FTUSA supply chains in 2018.
How is Fair Trade Certified Coconut different?

Fair trade Certification helps remote farmers build unity

**Business As Usual**

Coconut is mostly grown on very small farms in remote settings, with poor infrastructure. Therefore coconut farmers often become isolated. Without worker organization it is challenging for farmers to invest in themselves and their communities, and it is easy for coconut farmers to be taken advantage of.

**The fair trade Difference**

Through fair trade certification, independent smallholder of coconut farms organize themselves into groups or clusters through which they make decisions on how to use their Fair Trade Premium, invest in bold projects for community development, and advocate on behalf of themselves.
Fair trade standards contribute to the Sustainable Development Goals (SDGs).

3. **Good health and well being** – Standards require potable water, paid rest breaks, and decent housing for workers.

5. **Gender equality** – fair trade Committees are required to incorporate women and other disadvantaged groups into their leadership structures. There is no discrimination allowed in the standard. Women receive paid maternity leave and are protected from workplace harassment.

8. **Decent work** - Labor and Health & Safety committees secure improvements in working conditions and promote decent work. Core labor rights are protected. Decent work is guaranteed through safe employment conditions, including working hours and health and safety protections. Trade standards require fair and transparent buying practices that strengthen small and medium enterprises.

9. **Industry innovation & infrastructure** - The collective empowerment of small farmers through organizing into group-selling organizations, which results from participation in fair trade, can facilitate investments by these producer groups in factories, processing facilities, or other value-added activities. Producer groups also must receive access to financing from their buyers if requested.

10. **Reduce inequalities** - fair trade Committees are required to incorporate women and other disadvantaged groups into their leadership structures. There is no discrimination. Women receive paid maternity leave, and are protected from workplace harassment.

12. **Responsible Consumption and production** - Standards require sustainable agriculture practices.

15. **Life on land** - Standards require that farms protect and enhance biodiversity on their land, natural forests are not degraded, buffer zones around water sources are in place, there are measures to prevent soil erosion, and other impacts on the local ecosystem are minimized.
Coconut producing communities depend heavily on the income they get from selling coconuts. Other economic activity is often very limited, if not virtually non-existent. With the global price for coconuts dropping, the rate of coconut farmers living under the poverty line is high.

With coconut communities situated in very remote locations, lacking economic vitality, it is often difficult for families to incorporate sufficient protein and other nutrients into their diets. Particularly among children, the rates of malnourishment and severe malnourishment are high.

Coconut farmers and their families often don’t have sufficient medical services to meet community needs in their communities. Even when they do have access to hospitals and health clinics, coconut farmers often don’t seek medical help when they need it, due to the concern that it will be too expensive.

Coconut is a dynamic raw material, and a single nut can be used for as many as five products. Unfortunately, most coconut is smoked and sold as copra, limiting the benefit to the farmers. Coconut trees are declining in productivity, due to advanced age and limited replanting.
How Fair Trade Addresses These Issues

1. NO POVERTY
   Fair Trade Premium and income diversification
   fair trade Premium provides additional community income that coconut farmers invest in income generating projects like micro-lending, livestock distribution, and intercropping

2. ZERO HUNGER
   School nutrition programs
   Coconut farmers in the Philippines have used their fair trade Premium to invest in school nutrition programs. The programs include family education and meal provision, and have reduced severe malnutrition rates by more than 95% in targeted areas.

3. GOOD HEALTH AND WELL-BEING
   Health insurance and education
   During their General Assemblies, Coconut Certificate Holders have provided training on how to access the government health programs available. fair trade Premium is also used to purchase health insurance and help farmers pay for medical expenses.

12. RESPONSIBLE CONSUMPTION AND PRODUCTION
   Decorticating and replanting
   Coconut farmers have used their fair trade programs as a means of organization to access grants for “decorticating machines” that allow farmers to sell their coconut husks. They have also organized tree replanting programs to structure and incentivize seed nut distribution and proliferation.
Total fair trade coconut premium invested in coconut communities over time at a premium of $40/MT or $0.02/lb for coconut water and $90/MT or $0.04/lb for all other forms.
How coconut producers use their fair trade premium

- Credit and Finance Services: 5%
- Community Infrastructure: 13%
- Agricultural Tools and Training: 10%
- Human Resources and Administration: 17%
- Education Services: 55%

*Aggregated premium use from 2015-2018
Noel is a 2017 beneficiary of Peter Paul’s micro-lending program. With the price of coconuts currently very low, Noel has used the micro-lending program 3 times to grow his rice intercropping and reduce his dependence on coconut farming.

With his first loan, Noel used the money to buy a tractor for his rice farm. It was a helpful way to decrease his expenses since he used to have to rent tractors when he needed them, and they were very expensive.

Next, Noel used a loan to buy a tracer to speed up his work in his farm. It also serves as an additional income because other farmers can rent his tracer.

Most recently, Noel used the micro-lending program to buy pigs that he is now raising for additional capital and another source of income for his family.

“The lending program was a big help for me since I no longer have to buy rice for my family’s daily need." - Noel Iyoli
Marketing Insights and Tools
Consumers choose sustainable brands over others and remain loyal to those they trust.

- 85% of consumers would switch to a “cause” brand
- 91% of consumers try to purchase products or services that are socially and/or environmentally responsible whenever possible
- 1 in 3 US consumers would be more likely to buy a product if it was Fair Trade Certified
- 84% of millennials believe companies have an obligation to help solve social problems

Source: Natural Marketing Institute, State of Sustainability, 2017; Good is the New Cool, 2016, Afdhel Aziz and Bobby Jones
The Fair Trade USA seal is nearing mainstream recognition and when recognized increases the likelihood to purchase even at a higher price.

Shoppers know & seek fair trade.

60% know the Fair Trade Certified seal
33% intend to purchase Fair Trade Certified products
22% willing to pay 20% more for FTC products

Source: © NMI 2018 LOHAS Sustainability in America Consumer Insights & Trends Report
Retailers and brands love the fair trade shopper because of their characteristics that increase sales.

**Millennial Shopper**
The fair trade shopper is ages 19-64, but over indexes ages **25-34**.

**Valuable**
The fair trade shopper has higher incomes of $100k+ and is the finest, least price **sensitive** consumers.

**Looks for High-End, Gourmet, and Organic**
Organic shoppers are **3X more likely** to purchase fair trade products and are willing to pay up to **10% more**.

**Loyal**
The fair trade shopper is **more loyal** than the average shopper.

Source: National Shopper Card Data, December 2017
As a result, Fair Trade Certified products perform better than their non-certified counterparts.

Sales of coconut water with Fair Trade claims rose 32% while sales fell 5% in the overall category.

*Source: Nielsen Data, Food Business News, “Choose the Best Sustainability Claim for your Product”*

Sales of nutrition bars with fair trade claims rose 28% while sales fell 1% in the overall category.

*Source: Nielsen Data, Food Business News, “Choose the Best Sustainability Claim for your Product”*

Fair trade chocolate delivers 10% more sales in dollars and 15% higher unit sales.

*Source: Nielsen Answers on Demand (Health and Wellness Characteristics) and Nielsen Product Insider*
Sustainability Sells on the Shelves

5.6x Sustainability-Marketed Products grew 5.6 times faster than conventionally-marketed products, and 3.3 times faster than the Consumer Packaged Goods market.

+29% Sustainability-Marketed Product sales have grown 29% over the last five years.

50.1% Despite the fact that Sustainability-Marketed Products are 16% of the overall market, they delivered more than half of the market growth at 50.1% over the last five years.

Source: Stern CSB Sustainable Share Index, Purchasing Data 2013-2018
Get Involved on Social Media

General tips for participation:

1. **#HashTags** - Always use **#FairTradeCertified**, plus any special campaign hashtags (e.g. #FairTradeDifference, #FairMoments).

2. **Product shots** - Tag @fairtradecertified in photos that feature Fair Trade products so we can easily find them.

3. **Cross-promote** - Let us know if there’s a post you especially want to promote! We may be able to share on one of our channels as well. Please let us know at least 10 days in advance.
How to Use This Report
Be Proud of What You Helped Achieve.

There are so many ways you can share the contents of this report. Be proud of what you helped achieve!

**Consumers**
- Product packaging
- **Storefront**, retail
- Website: blog, news, impact section
- Social media: with ready-to-use [graphics, photos, digital best practices guide](#)

**Businesses**
- Next pitch with retailers: with [retail best practices guide](#)
- Tradeshows: with [FT merch](#) at your table
- Conferences, speaking engagements, trade publications

**Internally**
- Posters near coffee/water cooler, entrance of office
- Org-wide email
- Next All-Staff meeting
- Tie-in with other empowering events: Women's Day, Earth Day, Fair Trade Month, etc.
Thank you