Fair Trade Annual Report 2018 for Tea

Fair Trade 101, Supply Chain Spotlight and Marketing Insights
Agenda

- Fair Trade 101
- Supply Chain Spotlight Tea
- Marketing Insights and Tools
- How to Use This Report
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
- CPG (Cocoa, tea, sugar, coconut, and other): 9.9
- Produce & Floral: 9.2
- Apparel & Home Goods: 4.4
- Seafood: 0.6

*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
Tea
Tea is grown mostly on large estates in India and cooperatives in China.

Active* Producer Groups

<table>
<thead>
<tr>
<th>Country</th>
<th>Active Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>13</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>2</td>
</tr>
<tr>
<td>China</td>
<td>8</td>
</tr>
<tr>
<td>Rwanda</td>
<td>2</td>
</tr>
<tr>
<td>Kenya</td>
<td>6</td>
</tr>
<tr>
<td>Malawi</td>
<td>2</td>
</tr>
</tbody>
</table>

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

Fair Trade Certification helps ensure workers can access critical community resources.

**Business As Usual**

- Tea in India is grown on large estates where worker exploitation is frequent
- Workers live in communities on the estates
- Work long, physical days for low wages
- Often have insufficient access to critical resources like health care, education, safe drinking water, and permanent homes

**The Fair Trade Difference**

- Tea estates are audited on an annual basis
- Ensures that communities have all the basic resources they need to flourish, and that those resources meet our standards.
- Fair Trade Premium is used to improve these resources, for example by buying books for a school, or paying salary to hire an extra nurse for the health clinic
Main issues facing tea

1. **NO POVERTY**
   - Low Wages and High Input Costs
   - On tea estates, workers make very low wages, often less than the cost of a cup of tea per day. Meanwhile, smallholders and cooperative members struggle to meet the costs of agricultural production and urgent on-site processing.

2. **QUALITY EDUCATION**
   - Poor Education infrastructure
   - In India, China, and Africa, tea is grown mostly in very remote rural settings. Historically, the communities in and around tea communities have not had schools for children to attend, or else had very low-quality schools.

3. **CLEAN WATER AND SANITATION**
   - Limited Access to Clean Water
   - Especially in India, water quality has been a significant challenge on tea estates for generations. Incidents of water borne illness are very high among workers and their children.

4. **DECENT WORK AND ECONOMIC GROWTH**
   - Poor Working Conditions
   - Working conditions in tea estates and tea factories are often very poor. In the best of scenarios, tea is a very labor intensive crop, requiring long days in extreme weather with lots of bending and lifting. Workers are not always provided sufficient breaks and personal protective equipment.
Tea estates are required to pay the legally required local minimum wage, as well as to make progress toward a living wage. Smallholders and cooperative members often use Fair Trade Premium to invest in agricultural tools and training to offset costs and make production more efficient.

Tea producers around the world have used Fair Trade Premium and partnerships with their Fair Trade buyers to strengthen education in tea producing communities by building new schools, buying resources like new books or computers, or training new teachers.

Water filters, deep-tube wells, and hand pumps have all been major points of focus for Fair Trade Committees in India. Estates investing in clean water and hygiene education have seen substantial reduction of water borne illness.

Fair Trade Standards focus heavily on ensuring decent work at farms, factories, and fisheries around the world. Workers are required to be provided with breaks, access to drinking water, adequate health care, workers compensation, and personal protective equipment.
Fair Trade Premium Steadily Increasing over 17 Years

*These numbers are estimates based on an initial analysis*
Community infrastructure & education are priority

Represent over half of the Premium spent by tea producers

- Community Infrastructure: 5%
- Education: 11%
- Health Services: 12%
- Cash and In-Kind: 18%
- Human Resources and Administration: 26%
- Agricultural Tools and Training: 28%

*Aggregated premium use from 2015-2018
Suma Mal
Tea Plucker in Assam, India

Suma Mal grew up on a tea estate and has worked as a tea plucker for many years. Spending her life on a tea estate, she became used to harsh conditions and lack of access. On a recent trip to India, Suma Mal shared with the Fair Trade USA tea that before her tea estate became Fair Trade Certified, there were many differences from how conditions at the estate are today. Suma shared that the water quality was very poor, and many people experienced water borne illnesses. She also shared that during the monsoon season, there was often no shelter.

Suma shared how things have changed since adoption of Fair Trade at her estate. The Fair Trade Committee invested in water filters and hand pumps, so children and workers are no longer suffering from water borne illness. They also built shelters in the tea fields where workers can take cover when a storm hits during monsoon season.
The Fair Trade USA team met Jyothimani while visiting the tea estate she lives and works on this past April. She’s been plucking tea at this estate for over 36 years and was there when the estate first earned their Fair Trade Certificate; they have now been certified for over 20 years. Jyothimani was a member of the Premium Committee for four years.

Education has been a focus at this estate. The Premium has been used to help staff and provide supplies for the school, as well as provide scholarships for university programs. Many students are now achieving top test scores and the community is deservedly proud of their students.

When asked why education is so important for their community Jyothimani shared, “I’m proud that the children don’t have to work in the fields, that they can have a better quality of life.”
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
- **1 in 3** US consumers would be more likely to buy a product if it was Fair Trade Certified
- **91%** of consumers try to purchase products or services that are socially and/or environmentally responsible whenever possible
- **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.
04 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