



# TACKLING POVERTY THROUGH TRADE

HOW AUSTRALIANS BUYING  
FAIRTRADE BENEFITS PRODUCERS  
IN DEVELOPING COUNTRIES



This report has been produced by Fairtrade Labelling Australia & New Zealand (FLANZ) and Oxfam Australia. Analysis has covered the period of Australian Fairtrade purchases and sales from 1 January 2004 to 31 December 2009.

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*"Pay us a fair price for our coffee, and we  
will make poverty history for ourselves."*

Kimaro of the Kilimanjaro Native Co-operative Union



**FAIR TRADE** is a global movement tackling poverty and empowering producers through trade. Fair trade's purpose is to create sustainable market opportunities for producers in developing countries who have been economically disadvantaged or marginalised by the conventional trading system.

Fairtrade Labelling is a global network of non-government organisations pursuing the fair trade agenda through the certification and labelling of products, such as coffee, tea and chocolate. The Fairtrade Label allows consumers to identify products that meet agreed environmental, labour and developmental standards. The Fairtrade Labelling system is overseen by a standard setting body, FLO International, and a certification body, FLO-CERT. Certification of Fairtrade involves independent auditing from production to packaging of products ready for consumption.

## PROVIDING A FAIR DEAL FOR FARMERS AND WORKERS

Fairtrade Labelling provides farmers, workers and their communities with real economic, social and environmental benefits for the Fairtrade Certified products they sell. The Fairtrade Standards define the rules of Fairtrade trading and outline a number of benefits that must be provided to Fairtrade producers and their organisations.

These include:

- **The Fairtrade Minimum Price:** designed to cover the costs of sustainable production. The Minimum Price acts as a floor price that protects farmers from unsustainable downturns in the market and offers them stability and security of income.
- **The Fairtrade Premium:** an additional financial payment to producer organisations over and above the Fairtrade Minimum Price (and any Organic Price Differential) for investment in improving social, economic and environmental conditions in the community.
- **The opportunity for pre-financing:** allows producers to access up to 60% of their final Fairtrade contract value in advance to enable them to get the product to market.
- **Long-term contracts:** allow for stability and predictability and therefore future planning.
- **Access to export markets:** facilitated through the Fairtrade network to improve market opportunities for producers.
- **Being organised into democratic organisations:** means that producers are in a better position to negotiate with exporters, to invest in skill development and to deliver community development projects.
- **The Organic Price Differential:** a financial incentive paid to producers of some Fairtrade products such as cocoa and coffee to cover the additional costs of certified Organic production and to encourage the use of environmentally friendly practices.

## FAIRTRADE CERTIFICATION

Fairtrade Certification and auditing is conducted by independent third party organisations. To receive certification producer organisations must meet minimum standards and pass an on-site inspection. Successfully meeting these requirements leads to the granting of Fairtrade Certification for a three year period. During that period the producer organisation will undergo two surveillance audits and then a renewal audit at the end of the three year period.

Traders are audited to ensure they are paying the Fairtrade Minimum Price and Fairtrade Premium to certified producers, and maintaining supply chain traceability. Similarly, wholesalers and manufacturers who package the product for the consumer are required to ensure traceability of ingredients in products that carry the Fairtrade Label.

There are established processes for dealing with any non-compliances found through the certification and monitoring system which range from corrective action orders, suspensions or decertification.

For more information on the principles and processes of Fairtrade Certification, see our information sheet available at:

[www.fairtrade.com.au/Producersandimpacts](http://www.fairtrade.com.au/Producersandimpacts)

Any questions or concerns about Fairtrade Certification can be directed to [info@fairtrade.com.au](mailto:info@fairtrade.com.au)

CCT, East Timor, Courtesy CCT



## THE AUSTRALIAN FAIRTRADE MARKET: A MARKET IN GROWTH

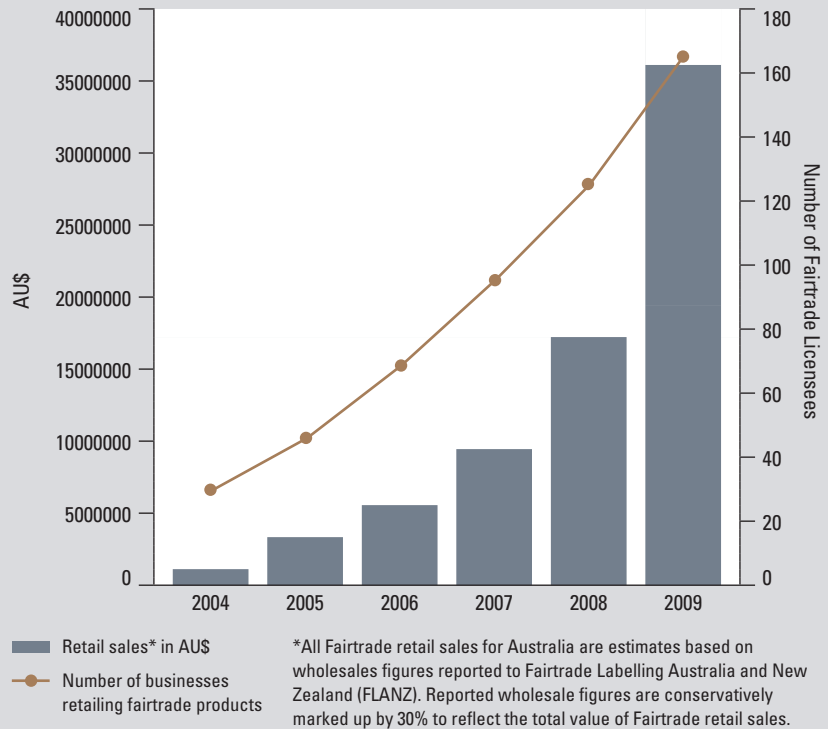
The Australian Fairtrade market has experienced very healthy and sustained growth since its beginnings in September 2003. Initially six companies were involved in selling Fairtrade coffee and tea. Retail sales reached AU\$1 million in 2004.

By 2009, the number of Australian companies licensed to sell Fairtrade products increased to 164. Their combined retail sales topped AU\$36.5 million. Fairtrade products currently available in Australia are: coffee, tea, chocolate, cocoa, sports balls, rice, quinoa, sugar and cotton.

This growth in Fairtrade retail sales is great news for small-scale farmers and workers in developing countries. Increased Fairtrade sales means that more trade is taking place under Fairtrade conditions and that more farmers and workers are receiving the economic, social and environmental benefits of Fairtrade.

While the market for Fairtrade in Australia is still relatively small, the move towards the purchase of ethical products is a worldwide phenomenon. The global Fairtrade market grew by 22% in 2008. Australian Fairtrade market growth over the same period was 81%. The Australian Fairtrade market will continue to grow strongly.

FAIRTRADE RETAIL SALES AND NUMBER OF FAIRTRADE LICENSED COMPANIES IN AUSTRALIA BETWEEN 2004 AND 2009



CoopeAgri, Costa Rica

### Fairtrade: A Safety Net for Coffee Farmers

CoopeAgri was created in 1962 and is based in San Isidro de Pérez Zeledón in Costa Rica.

CoopeAgri uses some of its Fairtrade Premium to invest in their Fairtrade Coffee Nursery. Between 2001 and 2004 at the height of the most recent coffee crisis many non-Fairtrade farmers abandoned their fields and subsequently were unable to reinvest in coffee plants. The coffee nursery project is offering farmers the opportunity to renew their production. It is also providing new plants to replace aging and damaged plants. [Coffee plants' productivity cycle is about 20 years.]

During 2008, the nursery provided 240,720 plants to coffee farmers.

*"During the international coffee crisis hundreds of coffee growers abandoned their fields, nearly 20% of all growers. Today, with the Fairtrade Premium being invested in a coffee plant nursery farmers have been given another chance of staying in the activity they inherited from their parents."*

Victor Hidalgo, CoopeAgri coffee grower

### A FAIR PRICE FOR COFFEE FARMERS

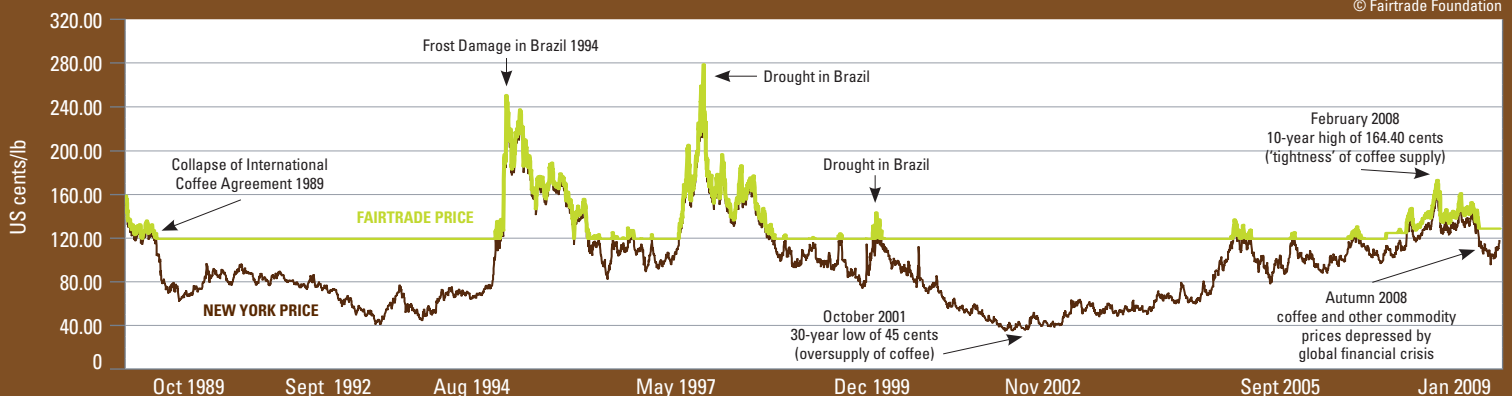
The price received for Arabica coffee has fluctuated wildly over the last 20 years. For 15 of those years the market price for Arabica coffee (as measured by the New York coffee exchange, the New York "C" market) has been below the Fairtrade Minimum Price.

In 2001 the Arabica coffee market price reached an all-time low of AU\$1.25/kg. As outlined in the report by Oxfam International, Mugged: Poverty in your Coffee Cup, in 2002, this was economically unviable for many farmers and resulted in their children being removed from school, an inability to access healthcare and family disruption as adults left their communities to find alternative work.

In 2001 Fairtrade Certified Arabica coffee farmers were spared the market low because their incomes were protected by the Fairtrade Minimum Price which was AU\$3.36/kg at that time. This meant their income was more than double the income of non-Fairtrade farmers. The Fairtrade Minimum Price acts as a floor price to protect farmers from unsustainable downturns in the market. Whenever the market price is above the Fairtrade Minimum Price, Fairtrade producer organisations receive the market price for their produce.

THE ARABICA COFFEE MARKET 1989-2009: COMPARISON OF FAIRTRADE AND NEW YORK PRICES

© Fairtrade Foundation



## FAIRTRADE COFFEE — PROVIDING ECONOMIC BENEFITS TO FARMERS

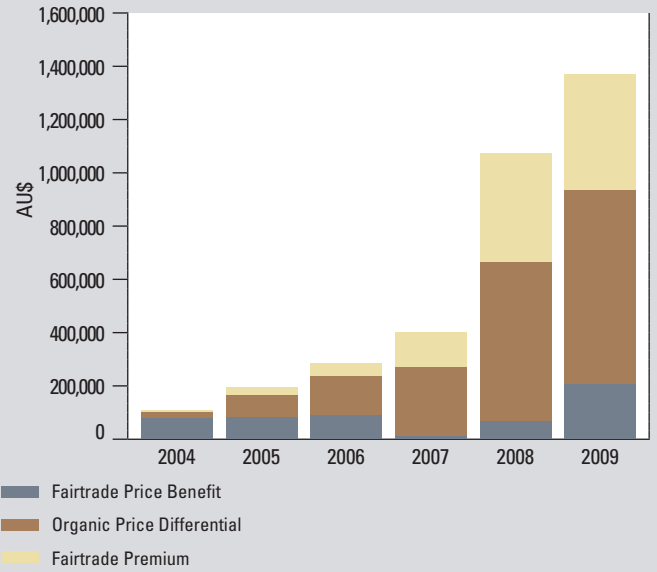
Although we are seeing a growing variety of Fairtrade products in the Australian market, Fairtrade Certified coffee remains the most purchased Fairtrade product. In 2009 coffee made up 68% of retail sales. In 2009 Arabica Fairtrade coffee accounted for 94% of all Fairtrade coffee in Australia and 90% of the Arabica coffee was also certified Organic.

Fairtrade Certified coffee in Australia originates from 16 different countries in Africa, Asia, Asia-Pacific and Latin America. These countries include East Timor, Papua New Guinea, Ethiopia, Tanzania, Peru and Costa Rica.

The direct Fairtrade Economic Benefit accruing to producer organisations selling Fairtrade coffee to the Australian market has increased significantly especially since 2007 to reach just under AU\$1.4 million in 2009. This was due to continuing large increases in Fairtrade coffee sales together with an increase as of 1 June 2007 to the Fairtrade Premium [up from AU\$0.14/kg to AU\$0.28/kg] and to the Organic Price Differential [up from AU\$0.42/kg to AU\$0.56/kg]. Additionally the Fairtrade Minimum Price for Arabica coffee increased on 1 June 2008 to AU\$3.47/kg up from AU\$3.36/kg.

The Fairtrade Economic Benefit graphs reflect only the **minimum** Fairtrade Economic Benefit per kilogram. Often Fairtrade traders will pay above the Fairtrade Minimum Price. For instance Australian traders have paid Cooperative Café Timor in East Timor up to AU\$1.25 more per kilogram of coffee than the Fairtrade Minimum Price.

FAIRTRADE ECONOMIC BENEFIT FROM FAIRTRADE COFFEE IMPORTS TO AUSTRALIA



The Fairtrade Economic Benefit is the sum of the Fairtrade Price Benefit, which is the difference between the Fairtrade Minimum Price and the New York "C" market price, plus the Organic Price Differential plus the Fairtrade Premium.

Some green bean purchases made at the end of the fourth quarter of 2008 have now been included in the first quarter of 2009 to better reflect the period that these beans will be roasted and sold in and the producer benefits accrued.

## THE FAIRTRADE PREMIUM — AN OPPORTUNITY FOR DEVELOPMENT

The Fairtrade Premium is a sum of money paid on top of the agreed Fairtrade Price for investment in social, environmental and economic development projects. Decisions about how the Fairtrade Premium is spent are made by the producer organisation through its democratic processes. Local decision making on how best to achieve community development is a vital component of how Fairtrade empowers farmers and workers. While the Premium is fixed by the Fairtrade Standards, producer organisations have autonomy on how this is invested, thereby empowering producers and their families to tackle poverty through the benefits of trade.

The Fairtrade Premium is typically invested in education and healthcare, farm improvements to increase yield and quality, processing facilities to increase income, small-scale income diversification schemes and infrastructure projects. Thanks to the Fairtrade Premium the social, working and living conditions of the producers, the workers and their families are considerably improved over time with benefits extending to the entire community.

Fairtrade price = Fairtrade Minimum Price\* of US125 cents/lb + US10 cents/lb Fairtrade Premium\*\*. When the New York price is US125 cents or above, the Fairtrade price = New York price + US10 cents.

\*Minimum Price was increased from US121 cents/lb on 1 June 2008.

\*\*Premium was increased from US5 cents/lb on 1 June 2007.

The NY price is the daily closing price of the second position Coffee 'C' futures contract at ICE Futures US (New York Board of Trade).



OCFCU, Ethiopia, Courtesy Jasper Coffee

Oromia Coffee Farmers Cooperative Union (OCFCU), Ethiopia

### Schools from Fairtrade

Ethiopia, the birthplace of coffee, has more than 1.2 million coffee growers and approximately 15 million households dependent on coffee for their livelihoods. Coffee accounts for more than half of Ethiopia's export earnings.

OCFCU is the largest Fairtrade Certified coffee organisation in Ethiopia. It was founded in 1999 when 23,691 members from 35 small Ethiopian cooperatives came together to export their coffee directly to the specialty market. OCFCU's Fairtrade coffee sales to Australia and New Zealand have experienced strong growth since 2005, which has increased their total Fairtrade Economic Benefit.

The Fairtrade Premium has funded the building of three primary schools in Bebo, Ragol and Bogi villages. More than 80% of OCFCU's Fairtrade Premium funds in 2008 were invested in school projects, and investment in local schools is an ongoing project.

*"With the extra income from the coffee we have built a school and given a dividend to our members who are now able to pay school fees for their children."*

Dulecha Gobena, Chairman, Kilenso Resa Cooperative, Yirgacheffe

Highland Organic Agriculture Cooperative (HOAC), Papua New Guinea

## Fairtrade and Infrastructure Development

Coffee is the number one cash crop in the highlands of Papua New Guinea. More than 2 million people (40% of the country's total population) depend directly or indirectly on money earned from coffee to cover basic living expenses such as food, children's school fees, clothing and medicines. The 2,604 members of HOAC live in the remote highlands area where they grow Organic and Fairtrade Certified coffee. Their coffee has been available in Australia since 2005 and has enjoyed growing support from the Australian consumer.

One of the major concerns for the Fairtrade growers and the local communities in this area is poor road access, making it difficult for them to trade their produce. The roads are in terrible condition and even tractors can end up with broken axles from the trip.

To address this problem a proportion of HOAC's Fairtrade Premium is allocated to the improvement of the local roads. The improvement in the road network has created a business bonanza for small coffee farmers, and permitted better access to education and health services for locals.

*"Fairtrade has shown us that, through our own efforts, development can come to our area."*

Eno Nosare, HOAC farmer

HOAC, PNG, Courtesy Maria Trogolo



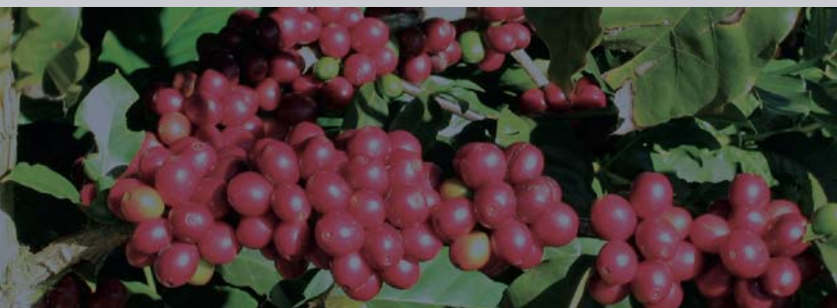
## FAIRTRADE IN THE ASIA-PACIFIC REGION

The Asia-Pacific region has historically been under-represented in the international Fairtrade market. Australia and New Zealand are in a unique position to provide assistance to their Asia-Pacific neighbours and open up the market for their Fairtrade products. The Fairtrade Labelling network has increased markedly its engagement in the region over the last five years.

Fairtrade Labelling Australia and New Zealand is assisting Fairtrade producers in the region to develop trading relationships with Australia and New Zealand. FLO and FLO-CERT are both increasing their staff in the region in response to a growing number of Fairtrade Certified producers and applicants. Since 2004 the number of Fairtrade Certified producers in the region has increased by 276% and new applications are growing strongly.

Similarly the number of available Fairtrade Certified products in the Asia-Pacific region has increased three-fold, from six product categories to 18, and now includes products such as coffee, tea, sugar, cotton, exotic fruit, herbs, spices, flowers, plants, nuts, oils, rice, juice, and soy products with more awaiting certification such as vanilla and honey.

Fairtrade coffee imports to Australia originating from the Asia-Pacific region has grown by more than 900% from 48,180kg in 2004 to 468,690kg in 2009. This has resulted in a total Fairtrade Economic Benefit of over AU\$1.4 million over the 2004 to 2009 period from Fairtrade sales in Australia.



## FURTHER BENEFITS FOR PRODUCER ORGANISATIONS AND THEIR COMMUNITIES

Reviews of the academic literature and external impact assessment by the Fairtrade Labelling system show that the benefits of Fairtrade go beyond a simple economic transaction. Fairtrade means buyers and producers building long term partnerships that provide sustainable livelihoods for farmers, workers and their families.

Other direct impacts for farmers include:

- increases in family income, security of income and food availability;
- investment in production infrastructure and processes to improve product quality and capture a share of the value added opportunities for Fairtrade products; and
- access to potential export partners and market information.

Indirect impacts can be wide ranging and are also felt within the wider community and local economy. According to recent evidence some of these include:

- local market prices tend to better reflect a fair price;
- farmers' confidence, empowerment and skills increase;
- education and training opportunities in the area have improved;
- environmental farming practices have improved; and
- a range of conservation projects have been developed, including turtle conservation and the maintenance of traditional cultural methods.

Cooperativa Cafe Timor (CCT), East Timor

## Fairtrade and Healthcare: Clinic Cafe Timor

In 2000, a group of farmers united to form CCT. Today, the organisation has 23,000 members from 16 base cooperatives and 494 small-scale farmer groups. The Clinic Café Timor initiative, a development program within CCT, demonstrates the benefits to disadvantaged communities from Fairtrade.

Healthcare services in rural East Timor are often difficult to access and not easily affordable for farmers and their families. As a response to this, CCT has allocated a substantial part of their Fairtrade Premium to healthcare. Clinic Café Timor offers primary level healthcare services to 115,000 coffee farmers and their families in the rural coffee growing districts of East Timor.

*"With the Fairtrade Premium, the co-op has invested in a healthcare program that handles more than 18,000 cases each month. Its facilities include 10 fixed clinics and 24 mobile clinics that provide free services to coffee farmers and their families."*

Sam Filiaci, advisor to CCT, East Timor

Clinic Cafe Timor is the largest provider of rural health care in East Timor.

*"I know the Fairtrade income that my colleagues and I generate through our sales of fresh, organic Arabica cherries is used to buy medicine for the Cooperativa Café Timor's primary healthcare clinics. For that I am very grateful, as the clinic's staff saved my wife's life during the recent birth of my child."*

Alfonso Sarmiento, CCT member



CCT, East Timor, Courtesy CCT

This report and accompanying profiles of producer organisations can be found at [www.fairtrade.com.au/Producersandimpacts](http://www.fairtrade.com.au/Producersandimpacts) and [www.oxfam.org.au/coffee](http://www.oxfam.org.au/coffee).

Fairtrade Labelling Organisation International (FLO) also publishes regular information on the impact of Fairtrade Certification and Labelling at [www.fairtrade.net/impact.html](http://www.fairtrade.net/impact.html).

Queries on the content of this report can be addressed to Fairtrade Labelling Australia and New Zealand via [info@fairtrade.com.au](mailto:info@fairtrade.com.au).

## REFERENCES

**Exchange rates:** A single average was calculated for the period 2004 to 2009 using monthly averages from the Australian Reserve Bank.

AU\$1 = US\$0.80

For more information on the topics below visit the links:

**Fairtrade Minimum Price:** [www.fairtrade.net/list.html?&no\\_cache=1](http://www.fairtrade.net/list.html?&no_cache=1)

**FLO certification process:** [www.flo-cert.net/flo-cert/main.php?id=82](http://www.flo-cert.net/flo-cert/main.php?id=82)

**Arabica graph 1989-2008:** [www.fairtrade.net/fileadmin/user\\_upload/content/2009/products/Arabica\\_Price\\_Chart\\_89-08.pdf](http://www.fairtrade.net/fileadmin/user_upload/content/2009/products/Arabica_Price_Chart_89-08.pdf)

**Oxfam International report Mugged: Poverty in your Coffee Cup, 2002.**

[www.oxfamamerica.org/newsandpublications/publications/research\\_reports/mugged](http://www.oxfamamerica.org/newsandpublications/publications/research_reports/mugged)

**Fairtrade impact studies:** This report includes findings from forthcoming research to be published by the Fairtrade Foundation ([www.fairtrade.org.uk](http://www.fairtrade.org.uk)) and Fairtrade Labelling Organisations International ([www.fairtrade.net](http://www.fairtrade.net)).

**This report is compiled from the global resources of the Fairtrade Labelling movement including specifically the following:**

[www.fairtrade.net](http://www.fairtrade.net)  
[www.flo-cert.net](http://www.flo-cert.net)  
[www.fairtrade.org.uk](http://www.fairtrade.org.uk)  
[www.transfairusa.org](http://www.transfairusa.org)

**Other sources include:**

[www.hdr.undp.org/en/statistics/dev.ico.org/prices/p2.mht](http://www.hdr.undp.org/en/statistics/dev.ico.org/prices/p2.mht)  
[www.news.bbc.co.uk](http://www.news.bbc.co.uk)  
[www.hdrstats.undp.org](http://www.hdrstats.undp.org)  
[www.rba.gov.au](http://www.rba.gov.au)

**Further resources for case studies:**

[www.jaspercoffee.com](http://www.jaspercoffee.com)  
[www.coffeeconnections.biz](http://www.coffeeconnections.biz)  
[www.globalcafedirect.com.au](http://www.globalcafedirect.com.au)  
[www.worldpulse.com/magazine/articles/coffee-groundswell](http://www.worldpulse.com/magazine/articles/coffee-groundswell)

Front page image: Kuapa Kokoo, Ghana. Courtesy of [www.fairtrade.net](http://www.fairtrade.net), Jenifer Stapper.

