

Chock-Full of Opportunity

Fair Trade coffee, tea and fruit are going mainstream in companies like McDonald's, Starbucks and Sam's Club as organizations certify producers in the developing world

By Leah Dobkin

The front label on your coffee can used to promise merely that the consumer would enjoy its flavorful, quality beans. But today a label often verifies that the vendor is Fair Trade Certified, and that consumers would be contributing to sustainable development, conservation and the support of coffee farmers if they purchase the blend.

These days, some big names in retail are putting the power of their brands behind the trend. McDonald's, Starbucks and Sam's Club are among the companies that have joined the Fair Trade movement.

Fair Trade is defined as commerce with a commitment to developing equitable partnerships between businesses in industrialized countries and artisans, farmers, laborers and factory workers in developing countries.

In 2005, McDonald's announced that it would sell only Fair Trade Certified coffee in its 658 restaurants in the northeast. That came about after Green Mountain Coffee Roasters agreed to source, roast and package the coffee for Newman's Own Organics, and the two companies convinced McDonald's to brew only that blend in its restaurants. In so doing, Green Mountain reduced its profit margin so it could increase its volume with McDonald's.

"Fair Trade is a certification that adds value throughout the supply chain, from the farmer to the consumer," says Rick Peyser, Green Mountain's Director of Social Advocacy and Coffee Community Outreach. "It has the potential to increase sales and enhance the company's reputation as a socially responsible entity, but it does require a sincere commitment."

Peyser acknowledges that his Fair Trade coffee sales have grown significantly, both in pounds, dollars, and as a percentage of overall sales. "Today we have over 45 Fair Trade and organic-certified offerings," Peyser says. "This line has been growing between two to three times faster than our conventional line, and now represent close to 30 percent of our overall company sales."

In fact, in Green Mountain's fiscal third quarter, which ended June 30, the coffee pounds shipped through its food service channel increased 15 percent, propelled by sales through McDonald's restaurants in New York and New England, as well as to other customers.

And Starbucks, which also knows a thing or two about coffee, buys 6 percent of its coffee from Fair Trade producers. That percentage may seem relatively small, but it represents 18 million pounds of Fair Trade coffee purchased this year, up from 11.5 million pounds in 2005.

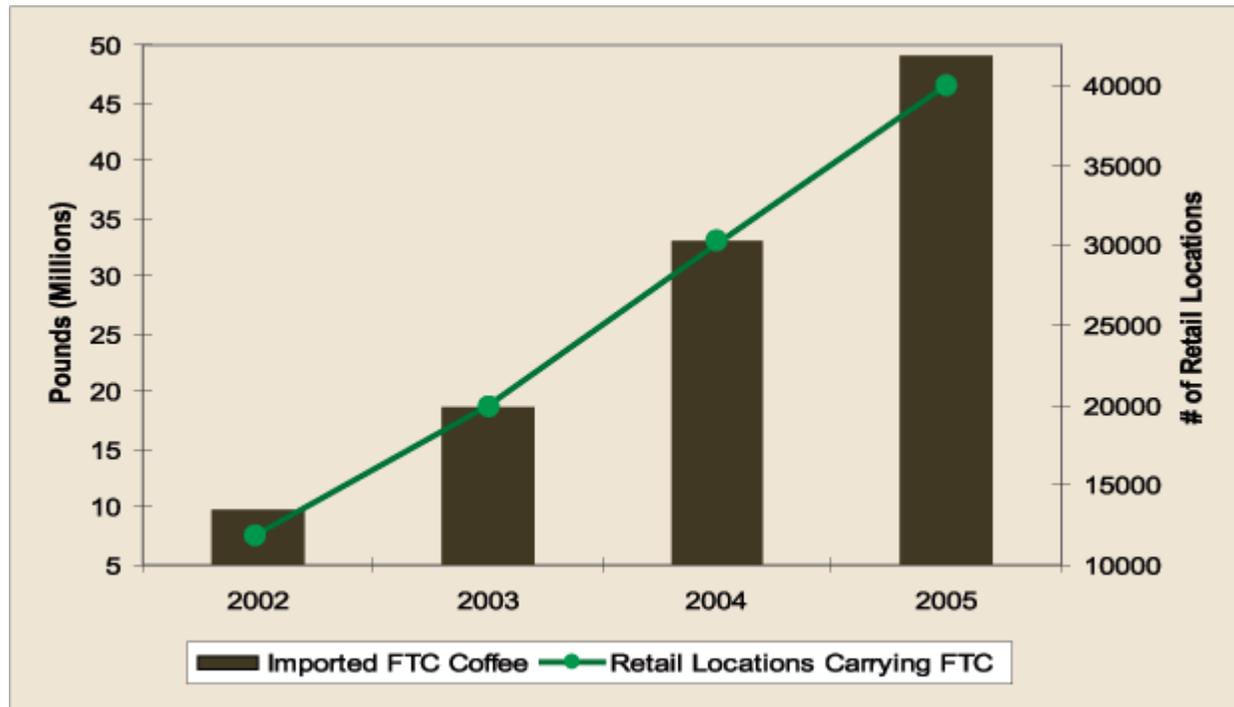
Dennis Macay, Starbucks's Director of Business Practice, says it was essential that Fair Trade coffee co-ops get advance notice of Starbucks strict quality standards so they could take steps to comply with them.

Meanwhile, Sam's Club has been offering Fair Trade coffee since 2004. Mark Hoffman, a Sam's Club's dry-grocery buyer who spearheaded the initiative, says the warehouse retailer's strategy on Fair Trade coffee was to work directly with a coffee producer in Brazil. Sam's Club, Hoffman says, helped the producer get Fair Trade certification, and assisted the producer in building a plant to roast the beans on-site, creating more jobs.

"We have literally gone from tree to shelf, avoiding perhaps five to six layers of buyers and offering Sam's Club members quality coffee at four dollars to five dollars less than anyone else," Hoffman claims.

Sam's Club also sells Fair Trade dried cherries and tea, enabling 200,000 members a week to purchase Fair Trade items. And, ensuring that opportunities don't slip away, Sam's Club is also piloting the sale of Fair Trade bananas this autumn.

With these developments, Fair Trade is moving beyond the shelves of natural food and other specialty stores into mass markets. The prevailing strategy is to emphasize product quality first and social responsibility second; partner with well-known brands; and minimize the price premium.



So what is Fair Trade?

Companies engaged in Fair Trade promote living wages, safe working conditions and long-term economic and environmental sustainability. With growing consumer demand for ethically sourced, sustainable products, Fair Trade sales have been growing about 40 percent annually in the U.S. and reached \$2.6 billion worldwide in 2006.

Fair Trade began after World War II as an international development tool. In 1988, when world coffee prices nosedived, the Netherlands developed the first Fair Trade certification called Max Havelaar. The name came from a fictional Dutch character who championed the rights of coffee pickers in the colonies.

Today, the Fairtrade Labeling Organization (FLO), founded in 1997, is an international umbrella organization that develops Fair Trade standards, and inspects and certifies producer groups in more than 50 countries across Africa, Asia and Latin America.

In the U.S., FLO-member TransFair USA licenses more than 700 U.S. companies, certifies coffee, tea, herbs, spices, cocoa, chocolate, fresh fruits, sugar and rice is investigating certification of additional products.

"We're rolling out flowers as we speak and will be looking to roll out several new products next year, possibly wine, nuts and other fresh fruits," says Paul Rice, CEO and President of TransFair USA, based in Oakland, Calif. "This is all retailer-driven so sometimes it's difficult to predict. We hope to certify every product that FLO certifies by 2008-2009, assuming that there's a market for it here."

Although the market is growing, there are some limitations and misconceptions about Fair Trade. For example, Fair Trade certification does not guarantee that a product was organically grown, but Fair Trade and organic certification often go together, TransFair USA states. Fair Trade standards require sustainable farming techniques and offer price premiums for organic production. In fact, more than 60 percent of Fair Trade certified coffee in the U.S. is also certified organic.

TransFair USA acknowledges that Fair Trade Certified coffees and chocolates generally are priced competitively with gourmet, specialty coffees and chocolates, but are more expensive than mass-produced coffees and chocolates.

Other challenges, according to Rice, are farmer training and infrastructure capacity, as well as relatively low consumer awareness, with only some 20 percent of the U.S. public recognizing the Fair Trade Certified label.

Rice also believes that “fairwashing” and “greenwashing” are real threats to third-party inspection systems. “We’re working hard to educate consumers and industry about the significant differences between the various standards out there—so that people can make well-informed choices,” Rice says. “In the end, it’s all about consumer choice.”

Multinational companies engaging Fair Trade suppliers face particular hurdles because sometimes global corporations must comply with multiple labels, as well as packaging and licensing requirements.

Carmen Iezzi, Executive Director of the Fair Trade Federation, a Washington, D.C.-based clearinghouse for Fair Trade information, puts the issue in perspective for suppliers and buyers.

“Fair Trade is about long-term relationships,” Iezzi says. “A company cannot convert overnight. Transparency and fair wages can be gradually introduced to make work more responsible internally. It’s a work in transition. It’s not about doing one thing and saying, ‘Look what we did, we are done.’ We would love businesses to convert overnight, but that is not reasonable.”

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