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# Sustainable trade

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### **1. The State Of Sustainable Coffee - Ground-breaking study takes in-depth look at trends in coffee market**

*World Bank Release, 9 October 2003*

The coffee world has changed dramatically in the last decade and a half.

There is no doubt that at the beginning of the 21st century much of the world coffee economy is suffering under structural conditions that are unsustainable.

The striking emergence of dynamic markets for certified organic, fair trade, and eco-friendly coffees firmly place the coffee industry at the forefront in developing innovative responses that are relevant to the difficulties of rural development and trade in developing countries.

Fair trade, organic, and eco-friendly products are, as the authors point out, neither a panacea nor the full answer - and much more needs to be done.

They are, however, one of the few bright spots in an otherwise difficult coffee economy and provide considerable direct benefits to nearly a million coffee producing families. Through strict environmental and social standards, improved governance structures, better communication channels and price premiums, these initiative help in the process of correcting for imperfections in the coffee market.

This report reveals the potential for growth in the burgeoning market for sustainable coffees in Europe and Japan. It also reveals some of the challenges facing such coffees as they

make mainstream appearances. With the popularity of such initiatives increasing, so too does the potential for overlap and confusion between the different systems. The findings of this report allude to the importance of addressing such issues and developing a sector-wide approach to sustainability.

A common front to sustainability will be important not just for ensuring that the concept of sustainability is used to serve common ideals but also for setting the stage for widespread buy-in among consumers, industry and public policy makers alike. This snapshot of the industry, following on Daniele Giovannucci's groundbreaking study of North American markets, provides a critical foundation for determining what steps are likely to be most effective in ensuring the continued growth and effectiveness of such initiatives in providing a consistent stimulus toward the sustainable development of the sector.

The 200-page study, published by the World Bank, the International Institute for Sustainable Development, the International Coffee Organisation, and the UN Conference on Trade and Development (UNCTAD), is currently available at <http://lnweb18.worldbank.org/ESSD/sdvext.nsf/43ByDocName/SustainableDevelopment>

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## **2. Kraft Foods Makes Unprecedented Commitment to Taking Sustainable Coffee Mainstream**

*From*

*[http://www.sustainablebusiness.com/features/feature\\_template.cfm?ID=1028](http://www.sustainablebusiness.com/features/feature_template.cfm?ID=1028)*

The Rainforest Alliance announced a unique partnership with Kraft Foods to promote sustainability and equity from the coffee farm to the consumers' cup. In an unprecedented multi-year arrangement, Kraft Foods has committed to purchase over 5 million pounds of coffee in the first year from farms in Brazil, Colombia, Mexico and Central America that have been certified as sustainably managed by the Rainforest Alliance. Ongoing monitoring and verification of compliance of these farms will be provided by Rainforest Alliance and members of the Sustainable Agriculture Network.

The new partnership, under development for more than a year, commits Kraft Foods to increasing purchases of certified coffee, paying more to farmers that employ sustainable farm management practices, and importantly, deepening the company's engagement with coffee producing communities.

"The Rainforest Alliance and Kraft Foods have been addressing social, economic and environmental issues in coffee production for many years. Given Kraft's global leadership in coffee sales, this partnership is the first indisputable evidence that the concept of sustainability, once limited to niche markets, is ready to enter the mainstream. This signals an institutional change," said Tensie Whelan, executive director of the Rainforest Alliance. She added, "With this unprecedented commitment from Kraft Foods, we will be able to demonstrate that coffee farming can be environmentally friendly, equitable and profitable."

In addition to purchasing certified coffee, Kraft Foods will support further development of the Sustainable Agriculture Network, including the training of local specialists to assist farmers achieve certification. In addition, the Rainforest Alliance will train local auditors and continue to build alliances among farmers, NGOs, coffee associations and agriculture research institutions.

"We have already demonstrated that certified farms can be havens for wildlife and good places to work, as well as economically viable and outstanding community citizens," said Juan Marco Alvarez, executive director of SalvaNATURA, a member of the Sustainable Agriculture Network. He added, "This partnership with Kraft Foods will allow us to greatly expand the reach of the program to help us bring the benefits of the certification to the hundreds of farms already in the pipeline throughout Latin America."

According to Simon Antonio Chavez, the manager of one of the co-operatives certified by SalvaNATURA, this new partnership offers great promise for farmers in the region. "This news motivates us. The certification program has helped us in protecting nature and makes life better for the families in the co-operative. We are glad to hear that a big company like Kraft is now buying certified coffee."

The Rainforest Alliance partnership is the latest initiative in Kraft's long-standing commitment to coffee farmers. "Kraft Foods has been promoting sustainability for more than a decade, most notably in Colombia, Peru and Vietnam. Our partnership with the Rainforest Alliance is another way for us to further strengthen sustainability in coffee production. Combining economic stability with environmental protection and decent social standards is an important way to ensure a long-term future for the world's coffee community," said Annemieke Wijn, Kraft Foods' Senior Director for Commodity Sustainability Programs.

For more information <http://www.rainforest-alliance.org/news/archives/news/news77.html>

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### **3. Largest US Coffee Company to Pay Farmers a Fair Price**

From <http://www.oxfamamerica.org/news/art6123.html>

Small-scale coffee farmers around the world scored a victory this week when Procter & Gamble (NYSE: PG), the largest seller of coffee in the US, announced that it would introduce Fair Trade Certified(tm) coffee products through its specialty coffee division, Millstone.

The announcement comes in response to dialogue with shareholders about the company's practices, as well as pressure from consumers, people of faith, human rights

activists, and humanitarian organizations. With P&G's announcement that it will offer Fair Trade Certified(tm) coffee through Millstone, the advocacy groups have agreed to suspend their campaigns against the corporation and the shareholders have withdrawn the resolution they had filed on the issue.

"With world market prices as low as they are right now, we see that many coffee farmers cannot maintain their families and their land anymore. We need Fair Trade now more than ever," says Jerónimo Bollen, Director of Manos Campesinas, a Fair Trade Certified(tm) coffee cooperative in Guatemala.

Over the past three years, the price of coffee has fallen almost 50 percent, and now hovers near a 30-year low. This has resulted in a widespread humanitarian crisis for 25 million coffee-growing families in over 50 developing countries. Unable to cover their costs of production, small farmers cannot earn the income necessary to feed their families, send their children to school, purchase essential medicines, and stay on their land. Grown by democratically organized cooperatives, Fair Trade Certified(tm) coffee guarantees farmers a minimum of \$1.26 a pound for their harvest. Last month, the International Coffee Organization composite indicator average price for green coffee was 52 cents a pound.

"P&G's action is an excellent example of what can be accomplished through the collaboration of shareholder activists and nonprofit organizations. It's a win-win for the world's small-scale coffee farmers, for the environment, and for P&G itself," said Sister Ruth Rosenbaum, Executive Director of the Center for Reflection, Education and Action (CREA). CREA and Domini Social Investments (Domini) led the shareholder dialogue with P&G. "We brought very serious concerns to P&G, and after considerable dialogue, the company was willing to take action. This dialogue continues, and we have achieved a working relationship with P&G that we expect will lead to further constructive action."

With this decision, P&G, one of the four largest coffee companies in the world, joins an impressive list of over 200 coffee companies that currently offer Fair Trade Certified(tm) coffee in the US. Procter & Gamble's Millstone will immediately offer Fair Trade Certified(tm) coffee to wholesale accounts (universities, restaurants, etc.) and to consumers through its website <http://www.millstone.com/>. P&G has committed to build significant consumer demand for Fair Trade Certified(tm) coffee. This commitment is planned to result in P&G becoming a leading US buyer of Fair Trade Certified(tm) coffee-which would represent purchase of at least 2-3 million pounds per year, based on today's estimates.

"More farmers than ever before will now receive a fair price for their harvests," said Deborah James of Global Exchange. "By establishing a floor price, Fair Trade enables farmers to make a dignified living while providing new opportunities to cultivate high-quality, environmentally sustainable coffee."

"Domini is pleased that Procter & Gamble has become one of the world's largest coffee companies to retail Fair Trade Certified(tm) coffee," said Adam Kanzer, Director of Shareholder Advocacy for Domini Social Investments, the manager of the Domini Social Equity Fund (NASDAQ: DSEFX). "This is a small step forward, but a significant one. It is encouraging that as a major coffee company, P&G is willing to give Fair Trade Certified(tm) coffee a chance, and to put

marketing dollars behind it. P&G's management has demonstrated a willingness to address serious, complex inequities in the market with forward-thinking action."

"Procter & Gamble's decision is a critical step to help make trade fair for the world's 25 million coffee-growing families, who continue to face destitution and ruin. Oxfam challenges global giants Kraft and Nestlé, as well as the US government, to take immediate steps to address the structural inequities that trap coffee farmers in a cycle of poverty," said Liam Brody of Oxfam.

"With coffee prices so low, it is more important now than ever that coffee drinkers always ask for Fair Trade Certified(tm) coffee," said Erin Gorman of Co-op America.

Over the course of the last two years, a range of shareholder and advocacy groups has each engaged Procter & Gamble on the issue of Fair Trade coffee. At the October 2001 P&G shareholder meeting, Global Exchange called on P&G to begin offering Fair Trade Certified(tm) coffee. In September 2002, Oxfam launched its "What's That in Your Coffee?" campaign, which called on the world's major coffee roasters-including Kraft Foods, Nestlé, Procter & Gamble, and Sara Lee-to increase the market for Fair Trade coffee, to bring the current oversupply of coffee back into line with demand, and to help ensure that coffee farmers are able to earn a decent living.

In December 2002, Domini and CREA led a coalition of investors holding more than 500,000 shares of P&G in a dialogue with the company about purchasing Fair Trade coffee. In April 2003, the shareholder coalition filed with Procter & Gamble the first-ever shareholder resolution to address the coffee crisis.

Meanwhile, Co-op America, the Interfaith Fair Trade Initiative, Oxfam, and Global Exchange all educated and encouraged concerned citizens to urge the company to begin selling Fair Trade Certified coffee.

Shareholders and NGOs cautioned that they will hold Procter & Gamble to its promises and continue to monitor its progress. "We're glad that Procter & Gamble is making this first-step commitment to Fair Trade, and look forward to the day when it commits to paying farmers a decent price for all its coffee-like the coffee companies that pioneered Fair Trade," said Sarah Ford of the Interfaith Fair Trade Initiative.

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#### **4. Creating Market Opportunities For Small Enterprises: Experiences Of The Fair Trade Movement**

*By Redfern, A.; Snedker, P, - International Labour Organization (ILO) (2002)*

Small enterprises survive and grow only if they can sell their products and services.

The ILO's InFocus Programme on Boosting Employment through Small Enterprise Development, IFP/SEED, therefore includes as one of its three "pillars" the enhancement of market opportunities. One of the most significant trends in recent years in this area has been the growth of the Fair Trade movement, and IFP/SEED therefore supported the preparation of this Working Paper.

The Working Paper gives an objective and informed perspective on the successes and lessons learned in Fair Trade to date; it also indicates some of the current trends, and links the Movement as a whole to other, related topics, including for example social development, corporate social responsibility and business development services.

This paper has been written by Paul Snedker and Andy Redfern, both of whom are closely associated with Traidcraft UK. Mr. Snedker has worked in business development services and fair trade for the last seven years. He also has practical experience of running his own business and currently running a venture financed start-up company. Mr. Redfern has worked in SME development for six years and was closely involved in setting up the Ethical Trade Initiative in the UK. He is also a director of Traidcraft plc, its associated charity Traidcraft Exchange and Cafédirect.

Traidcraft is a leading FT organization globally with a mission to fight poverty through trade. It employs 120 people and is based in the North East of the UK: it has been active in Fair Trade since 1979. Their experiences have enabled the authors to write with authority about the Fair Trade movement; their analysis and recommendations, while informed and thought-provoking, do not necessarily represent the views of the ILO. More information on the work of Traidcraft can be found at <http://www.traidcraft.co.uk>

Available online at:

<http://www.ilo.org/dyn/empent/docs/F1057768373/WP30-2002.pdf>

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## **5. Sales And Marketing Manager, Fair Trade In Tourism South Africa**

*By International Union for Conservation of Nature and Natural Resources (IUCN)*

Fair Trade in Tourism South Africa (FTTSA) is an independent initiative of [IUCN](#) (the World Conservation Union) South Africa that works towards equitable and sustainable tourism growth and development in South Africa. FTTSA does this by promoting the concept of Fair Trade in Tourism, and by creatively and energetically marketing fair and responsible tourism businesses through the "[Fair Trade in Tourism](#)" [Trademark](#). The Trademark is an independent and respected symbol of fairness in the tourism industry, and is rigorously monitored by FTTSA staff to maximise its effectiveness as a marketing tool for all Trademark users.

The ultimate goal of FTTSA is to encourage and publicise fair and responsible business practice by the tourism mainstream, while linking emerging and small-scale enterprises to consumer markets and business intermediaries.

*The Six Fair Trade in Tourism South Africa (FTTSA) Principles*

### *Fair Share*

All participants involved in a tourism activity should get their fair share of the income, in direct proportion to their contribution to the activity.

### *Democracy*

All participants involved in a tourism activity should have the

right and opportunity to participate in decisions that concern them.

#### *Respect*

Both host and visitor should have respect for human rights, culture and environment.

This includes:

- Safe working conditions and practices
- Protection of young workers
- Promoting gender equality
- Understanding and tolerance of socio-cultural norms
- Conservation of the environment
- HIV / AIDS awareness

#### *Reliability*

The services delivered to tourists should be reliable and consistent. Basic safety and security should also be ensured by host and visitor.

#### *Transparency*

Tourism businesses should establish mechanisms of accountability.

This includes:

- Ownership of tourism businesses must be clearly defined
- Employees and other participants should be able to access information that concerns them
- Sharing of profits, benefits and losses must be transparent

#### *Sustainability*

The tourism businesses should strive to be sustainable.

This includes:

- Increased knowledge through capacity building
- Improved use of available resources through networking and partnerships
- Economic viability through responsible use of resources
- Reduction of leakage through local purchasing and employment
- Support to historically disadvantaged entrepreneurs

Available online at:

<http://www.iucn.org/about/vacfttsa.doc>

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## **6. Fair Trade Resource Network**

An information gateway, the Fair Trade Resource Network's goal is to raise consumer awareness about improving people's lives through Fair Trade alternatives. Activities include gathering and compiling research and data about Fair Trade, providing information about Fair Trade to the public, the media and Fair Trade advocates, and galvanizing Fair Trade organizations and individuals seeking to participate in the Fair Trade movement.

Get the details at: <http://www.fairtraderesource.org>

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## **7. Sixth International Cocoa Agreement Comes To Force**

*From Bridges Weekly Trade News Digest - Vol. 7, Number 33  
8 October, 2003*

The Sixth International Cocoa Agreement negotiated under UNCTAD auspices, entered into force on 1 October. This agreement differs from the previous five in that it avoids market regulatory mechanisms, such as production quotas, buffer stocks and other price support measures. There is greater emphasis on the creation of a "sustainable cocoa" economy with an active role for the private sector. Measures include the formation of a consultative board and a call for increased transparency in the world cocoa market through statistical collection and analysis. There are many projects in the agreement including a plan for innovative farm methods and farmer cooperatives. Seven exporting nations (all African) and 18 importing countries (EU, Russia, Slovak Republic and Switzerland) are currently party to the accord. The agreement will remain open for signature until 20 September 2010 and all major players in the cocoa market are expected to sign shortly.

Cocoa is a primary commodity, the prices of which have been falling steadily over the years. A block of African countries, including Kenya, Uganda and Tanzania proposed a draft text pre-Cancun to address the crisis created by the long-term downward trend of prices of primary commodities (WT/GC/W/508, available at <http://docsonline.wto.org>). This draft called for efforts to address the crisis including the elimination of trade-distorting domestic and export subsidies and reduction of tariffs. The fate of this initiative remains in limbo following the collapse of talks at Cancun.