Agriculture and Agri-Food Canada
Agriculture et Agroalimentaire Canada

Canada

International Markets Bureau

MARKET ANALYSIS REPORT | APRIL 2012

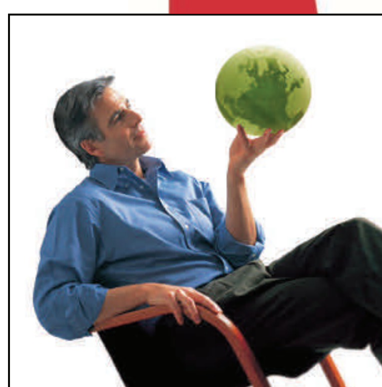
Socially Conscious Consumer Trends

Fair Trade

FAIRTRADE CANADA

Source: *Fairtrade Canada.*

Source: *Fairtrade Canada.*



Growing Forward

Canada

EXECUTIVE SUMMARY

Grocery shoppers base their buying decisions on their personal perceptions of value. Value considers the balance between quality and price, and how a product fits into a consumer's culture, lifestyle and social consciousness. Global public opinion surveys have identified the growing influence of personal values in purchase behaviour. The most common, relative to the food and beverage industry, include animal welfare, Fair Trade, provenance, vegetarianism, sustainable sourcing and manufacturing, and packaging. The series "Socially Conscious Consumer Trends," of which this report is a part, examines each of these issues within the global food market to assist Canadian food and beverage producers and processors in positioning their products within, and as alternatives to, these influences.

Fair Trade is described as a social movement representing alternatives to conventional trade models that operate within a framework of international development, social justice, environmental sustainability and equitable economic returns. In 2010, global retail sales increased 27% over 2009 to reach US$5.8 billion (Fairtrade International, 2011) and involved over 900 producer organizations in more than 63 countries to benefit over one million farmers and workers (Fairtrade International, 2011). With a history stretching back nearly 75 years, the principles of Fair Trade are now influencing trade negotiations, corporate social responsibility (CSR) policies, new product development, and retail channels.

Fair Trade is a niche, representing less than 0.1% of all goods traded internationally (Fair Trade Federation, 2011), however this penetration into the global marketplace is considered significant. Where other categories stalled during the economic downturn, Fair Trade's growth only slowed. The commitments made by companies like Cadbury, Nestle, and Ben & Jerry's to Fair Trade sourcing have been a significant buffer to the economic downturn, particularly for sugar and cocoa, where growth rates surged in 2010 by 41% and 153%, respectively (Fairtrade International, 2011). Coffee, the highest volume Fairtrade product, grew 19% in 2010 (Fairtrade International, 2011). Another factor driving sales in all categories is greater consumer awareness. Fair Trade is expanding to new markets such as Eastern Europe and South Africa, and in traditional market strongholds like the United Kingdom (U.K.) and the United States (U.S.), a broader range of consumers are buying Fair Trade products.

The opportunities that exist for the agriculture and agri-food sector in Canada are two-fold: using Fair Trade ingredients in product development, particularly when combined with other attributes appealing to socially-conscious consumers such as organic and local; and participating in emerging domestic Fair Trade initiatives where the principles of Fair Trade are established for local producers in local markets.

**This report presents an impartial exploration of Fair Trade within the context of global market trends and consumer purchase behaviour. Agriculture and Agri-Food Canada does not support or oppose any of the actions or perspectives presented herein.*

INSIDE THIS ISSUE

DID YOU KNOW?

- The term *Fair Trade* refers to all organizations at large, sometimes called Alternative Trading Organizations, that abide by general or charter principles (see page 4).
- *Fairtrade,* however, is used to describe the fair trade processes and products that have met the specific criteria established by the certification and labelling system of Fairtrade International and its country members.
- In Canada, several labelling initiatives are used, so consumers could see products certified "Fairtrade" through Fairtrade Canada and products labelled "Fair Trade Certified" through other organizations.

(Fairtrade Canada, 2011.)

SOCIALLY CONSCIOUS CONSUMERS

Socially conscious consumers use their purchasing power to try and positively influence the world around them. Their decisions are based on whether a product's positioning on issues, such as the environment or method of production, align with their values, perceptions or knowledge. They can act on their conscience in positive or negative ways, either buying a product that meets their beliefs, or boycotting a product or company that doesn't meet their standards. Any Internet search will result in many examples of support for the socially responsible consumption theme from media reports, blogs, research papers, economic studies and non-government organizations. Surveys and interviews with consumers from around the world report that individuals rely significantly on their social values and belief structure when making purchasing decisions. While this demonstrates a definite change in attitude, actual buying patterns in the marketplace indicate that the percentage of consumers acting on their beliefs is smaller than what is reported, generally keeping socially conscious products in niche categories.

Of the types of products included under the "ethical" umbrella, food and beverages are an area that have seen some global growth, particularly in the U.K. The Cooperative Bank's *Ethical Consumerism Report* for 2010 found that spending on products classified by industry as "ethical food and drink" in the U.K., increased by 27% in the last two years to reach 8% of all food and drink sales. Fairtrade food sales increased by 64% to £749 million, and sales of Freedom Food certified products more than quadrupled, from £28 million to £122 million. Organic foods, however, declined by 14% to £1.7 million (Cooperative Bank, 2010).

Given the traction already gained in the marketplace, socially conscious consumption is likely to become more mainstream over time. A number of integrated factors will drive this trend forward: a growing volume of national and international legislation regarding environmental and social standards; more companies enacting corporate social responsibility policies as a way to differentiate themselves and their products; greater public awareness of how purchase behaviour links to social issues; and the growing need for consumers to express their personal values through their buying patterns. There are clear opportunities for socially conscious food and beverage products, but it is important to understand consumer behaviour in a potential market to take advantage of these opportunities. Factors to consider include:

- Consumer purchase behaviour is complex, involving numerous trade-offs of the attributes desired on a given shopping occasion. Rarely is a purchase made based on any single characteristic, particularly on the social issues related to the product. Social consciousness must correspond with the functionality and price of the product in order to appeal to the consumer.
- Research techniques, such as surveys and focus groups, rely on people reporting their own purchasing habits or intentions, which generally does not reflect the types of decisions consumers have to make at checkout. Also, there is a bias inherent in questions based on values and beliefs as people respond to what they ideally would like to do. True market-based experiments that realistically create these trade-offs, and access to retail sales data are required to get more accurate predictions of purchases.
- Consumers have very diverse social preferences, but actually paying for a product makes individuals even more selective in terms of which social preference carries the most importance. This diversity is further complicated by the fact that consumers may unexpectedly shift their preferences from time to time due to influences such as media, friends and family, or personal experience. This makes marketing using traditional consumer segmentation more of a challenge.

Companies that are interested in being competitive in this market need to build trust with their customers by providing reliable and relatable information about the health, social, and environmental benefits of their products and services, that can be verified by an independent source. Labelling will continue to be the most apparent explanation of why a product's production systems, carbon footprint, packaging techniques, or ingredients are more socially responsible than those of the competition. However, a variety of other marketing techniques, particularly social media, will have to be used to promote both the product attributes and the company's approach to corporate social responsibility to successfully attract consumers interested in making purchases from this perspective.

Source: *Mintel, 2011.*

INTRODUCTION TO FAIR TRADE

Fair Trade is becoming one of the most recognized initiatives within the global trend toward more socially conscious consumption. Faith-based, humanitarian and non-government organizations (NGO's) were some of the first stakeholders to initiate Alternative Trade programs to improve the rate of financial return to disadvantaged farmers and artisans in developing regions. Ten Thousand Villages in the U.S. and Oxfam U.K. were among the first organizations to become involved in Fair Trade in the late 1950s. Over the next 20 years, thousands of specialized shops opened, particularly in Europe, to sell Fair Trade products. Equal Exchange established the first Fair Trade cooperative in North America by importing coffee from Nicaragua in 1986 and, in 1988, the Netherlands launched the first third-party recognition system under the Max Havelaar label (Fair Trade Resource Network, 2011).

In 2001, four of the major associations, the Fairtrade Labelling Organization International (FLO), which is now called Fairtrade International, the World Fair Trade Organization (WFTO), the Network of European Worldshops (NEWS!), and the European Fair Trade Association (EFTA) established a now widely accepted definition for Fair Trade.

"Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers — especially in the South. Fair Trade organizations (backed by consumers) are engaged actively in supporting producers, awareness raising, and in campaigning for changes in the rules and practice of conventional international trade" (Fair Trade Advocacy Office, 2011).

In general, Fair Trade organizations use a combination of tools including price premiums, certification, labelling, microcredit, technical support, and advocacy to achieve their mandates. In 2009, FLO and WFTO established a Charter of Fair Trade Principles to create consistency in both the philosophy and practices of Fair Trade organizations, while allowing flexibility to meet any unique need associated with a product sector, geographic region or stage of production. These principles highlight:

- Market access for marginalized producers;
- Sustainable and equitable trading relationships;
- Relationships based on solidarity, trust, and mutual respect;
- Transparency and accountability in all management and commercial relations;
- Capacity building, skill development, and empowerment;
- Consumer awareness raising and advocacy;
- Good working conditions as defined by national/local laws and the International Labour Organization including adherence to the United Nations Convention on the Rights of the Child;
- Maximizing local raw materials while minimizing the environmental impacts; and
- Monitoring and evaluation (FTAO, 2011).

The full range of Fairtrade products is growing and now includes coffee, tea, chocolate, cocoa, sugar, bananas, grapes, pineapples, mangoes, avocadoes, apples, citrus fruit, dried fruit, juices and smoothies, biscuits, cakes and snacks, honey, jam, peanut butter and preserves, chutneys and sauces, rice, quinoa, herbs and spices, seeds, nuts, wines, spirits, ale, confectionery, muesli, cereal bars, oils, ice cream, flowers, green beans, mung beanshoots, baked beans, sports balls, cotton products including homeware, cloth toys and cotton wool, and beauty products including lip balms, body butters, lotions, soaps and gels, and Fairtrade and Fairmined artisanal gold jewellery (Fairtrade International, 2011).

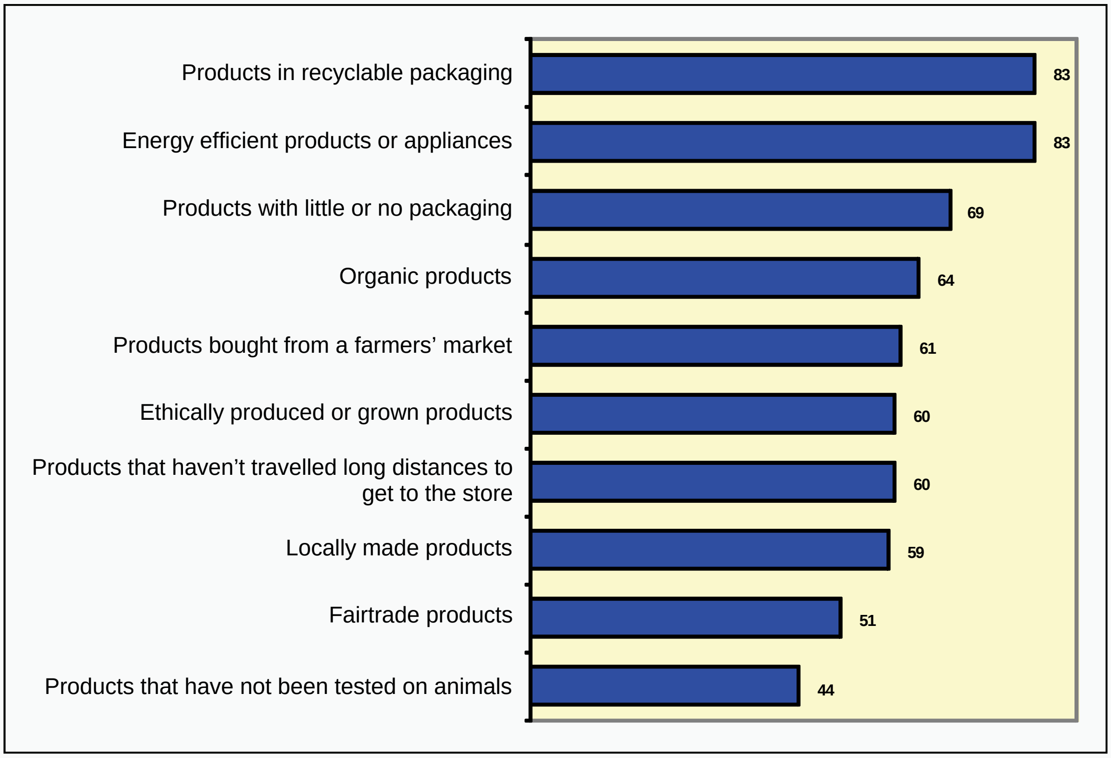
Source: *Fairtrade Canada.*

PUBLIC OPINION

A number of major global pollsters are monitoring consumer interest in the Fair Trade movement. The Nielsen Company recently found that incorporating Fairtrade products into their shopping lists was a convenient way for consumers to buy what they wanted, while at the same time, feeling that they have given something back to the producer and their local environment (Nielsen, 2008). This feeling of connection to a greater good, as well as greater retail availability, more products within more categories, credible certification systems and successful awareness campaigns, have all contributed to the growing positive public opinion of Fair Trade and its effect on consumer purchase behaviour. A 2011 international consumer survey from GlobeScan found that Fairtrade is the most widely recognized ethical label in the world with almost 6 out of every 10 (57%) people seeing the Fairtrade certification mark. For those stating they recognized the mark, 9 in 10 found it trustworthy (Fairtrade International, 2011).

The Fair Trade movement is unique in the fact that it touches on many social, economic, and environmental issues, so it appeals in various degrees to many consumer segments. Nielsen found in their 2011 global survey (Figure 1) that in terms of environment, Fairtrade did not figure as prominently as other sustainable attributes (Nielsen, 2011). The GlobeScan survey demonstrated Fair Trade’s stronger consumer connection to the impact of shopping choices on farmers and workers (Figure 2). Datamonitor has also been monitoring consumer attitudes toward both Fair Trade and Fairtrade and found that its influence has expanded beyond the traditional European and North American bases and is now more pronounced in emerging markets like Brazil, Russia, India, and China, as well as Saudi Arabia and the United Arab Emirates (U.A.E.) (Figure 3). Datamonitor has also tracked consumer interest in paying more for Fair Trade and Fairtrade and has generally found that in the last two years there has been a trend toward more agreement on this question in all countries, even in emerging markets (Figure 4).

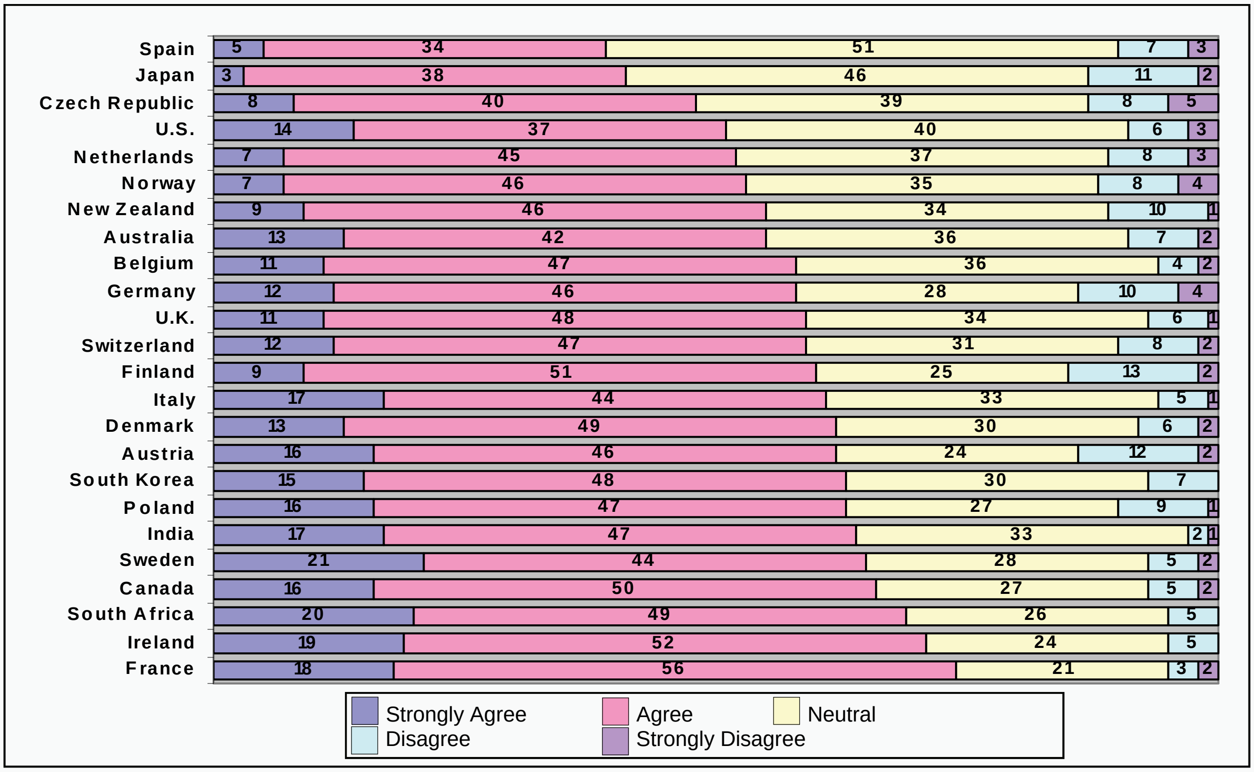
Figure 1: Do you believe the following sustainable products are having a positive effect on the environment? (% Global Average)



Source: *Nielsen, Global Online Survey 2011.*

PUBLIC OPINION (continued)

Figure 2: My Shopping Choices Can Make a Positive Difference to Farmers and Workers in Poor Countries



Source: *GlobeScan, 2011.*

Figure 3: How much influence does the 'Fairtrade' (or 'Fair Trade') claim have when making food and beverage choices?

	Very High	High	Medium	Low	Very Low
Brazil	21%	26%	35%	10%	7%
U.S.	10%	15%	31%	21%	22%
Canada	11%	20%	35%	20%	14%
Australia	11%	21%	37%	18%	12%
China	21%	40%	32%	5%	2%
India	31%	36%	25%	6%	2%
Japan	4%	12%	42%	31%	11%
Korea	14%	28%	37%	16%	5%
Singapore	13%	30%	41%	11%	5%
South Africa	12%	22%	37%	18%	11%
Saudi Arabia	29%	25%	31%	7%	8%
U.A.E.	25%	31%	31%	6%	7%
France	10%	20%	38%	18%	14%
Germany	10%	21%	37%	18%	14%
Italy	16%	33%	35%	9%	7%
Russia	22%	31%	28%	11%	8%
Sweden	11%	17%	32%	25%	15%
U.K.	11%	20%	38%	17%	14%
TOTAL	**15%**	**24%**	**35%**	**15%**	**10%**

Source: *Datamonitor Consumer Research, May-June 2011.*

PUBLIC OPINION (continued)

Figure 4: To what extent do you agree or disagree with the following statement? "Fair trade or fair trade food and beverages are worth paying a little extra for."

Country	Strongly agree		Tend to agree		Neither agree nor Disagree		Tend to Disagree		Strongly Disagree	
	2009	2011	2009	2011	2009	2011	2009	2011	2009	2011
Brazil	9%	13%	28%	29%	43%	45%	11%	8%	9%	4%
U.S.	4%	8%	13%	26%	41%	38%	21%	19%	22%	10%
Canada	-	8%	-	19%	-	46%	-	18%	-	10%
Australia	5%	7%	17%	24%	43%	46%	22%	17%	14%	6%
China	6%	13%	28%	38%	49%	42%	14%	6%	3%	1%
India	9%	20%	33%	40%	43%	31%	12%	6%	3%	2%
Japan	1%	3%	22%	16%	55%	67%	16%	11%	7%	3%
Korea	4%	6%	30%	24%	48%	48%	14%	17%	3%	5%
Singapore	-	6%	-	28%	-	52%	-	11%	-	2%
South Africa	-	7%	-	23%	-	50%	-	14%	-	6%
Saudi Arabia	10%	23%	26%	29%	28%	32%	22%	9%	14%	6%
U.A.E.	9%	20%	24%	33%	42%	37%	15%	6%	10%	5%
France	5%	9%	28%	31%	36%	35%	18%	16%	13%	9%
Germany	8%	10%	28%	29%	38%	42%	14%	11%	13%	8%
Italy	5%	10%	25%	37%	41%	37%	19%	11%	11%	5%
Russia	3%	12%	19%	34%	45%	37%	20%	11%	13%	6%
Sweden	10%	11%	25%	26%	32%	37%	16%	17%	17%	9%
U.K.	5%	8%	24%	29%	36%	39%	22%	15%	13%	9%
OVERALL	**6%**	**10%**	**24%**	**28%**	**40%**	**43%**	**18%**	**13%**	**12%**	**6%**

Source: *Datamonitor consumer research 2009 and 2011.*

COUNTRY PROFILES

The more mature markets of Europe and North America have been the most profitable for Fair Trade, however, emerging and developing countries that have traditionally been the source of the products are now becoming consumer markets too. In South Africa, labelled wines are sold in local shops and its first Fairtrade chocolate, Cadbury Dairy Milk, was launched in November, 2011 (Fairtrade South Africa, 2011). Fairtrade certified products are not yet available on the Brazilian market, however, Brazilian Fairtrade producers and traders have come together to establish an organization to launch the Fairtrade mark in Brazil and assist Brazilian Fairtrade growers in accessing and developing their domestic market (Faces do Brasil, 2011). This section of the report highlights Fairtrade activity in some established markets.

United Kingdom (U.K.)

The U.K. was one of the first regions of the world to embrace the Fair Trade movement and Fairtrade certified products and it has remained a stronghold for the market niche. The Fairtrade Foundation reported that there are 9.3 million cups of Fairtrade tea, 6.4 million cups of Fairtrade coffee, 2.3 million Fairtrade chocolate bars, 530,000 cups of Fairtrade drinking chocolate and 3.1 million Fairtrade bananas consumed each day in the U.K. (Fairtrade Foundation, 2011). The growth of retail sales by product category from 1998 to 2009 can be found in Figure 5.

According to the GlobeScan survey, U.K. consumer trust in Fairtrade is the highest it has ever been at 90% and the same survey also found that word of mouth is a key way of finding out about Fairtrade. In addition, 77% of those familiar with the Fairtrade mark strongly associated it with helping farmers and workers in poor countries tackle poverty (Fairtrade Foundation 2011).

Figure 5: Estimated U.K. retail Fairtrade sales by value 1998-2009 (US$ millions)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Coffee	18.5	20.3	20.9	25.1	31.2	46.3	66.7	89.0	125.6	15.8	185.3	211.8
Tea	2.7	6.1	6.9	8.0	9.7	12.8	17.5	22.4	33.9	40.5	87.5	91.9
Cocoa Products	1.4	3.1	4.9	8.1	9.5	14.7	22.3	29.6	40.1	34.5	36.2	59.6
Honey Products	n/a	n/a	1.2	4.3	6.6	8.2	4.6	4.7	4.6	3.6	7.0	6.2
Bananas	n/a	n/a	10.5	19.7	23.4	32.9	41.4	64.5	88.7	202.7	249.1	282.3
Flowers	n/a	n/a	n/a	n/a	n/a	n/a	5.8	7.7	18.9	32.4	45.1	46.5
Wine	n/a	n/a	n/a	n/a	n/a	n/a	2.0	4.5	7.2	11.1	13.5	22.1
Cotton	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.3	6.1	47.0	105.1	67.6
Others	n/a	n/a	n/a	3.0	4.7	9.7	30.1	41.0	61.8	136.3	232.9	296.1
Total	**22.6**	**29.5**	**44.4**	**68.2**	**85.1**	**114.9**	**190.4**	**222.7**	**386.9**	**523.9**	**961.7**	**1084.1**

Source: *Fairtrade Foundation, 2011.*

Canada

GlobeScan's global consumer survey also offered a snapshot of Canadian attitudes and perceptions toward Fairtrade.

- Since 2008, there were increases in both regular and occasional purchasers of Fairtrade products.
- About half of respondents recalled purchasing a Fairtrade marked product over the past six months. Of those who saw the mark, 81% purchased Fairtrade products at least once every six months.
- Consumers were most interested in Fairtrade bananas. Over half of respondents (60%) who saw the Fairtrade mark on bananas said they chose Fairtrade bananas when available.
- The major barriers to purchasing Fairtrade products were cost and availability of products.
- Consumers seemed to express a desire for more Fairtrade seafood products in the Canadian marketplace.
- Canadians expressed interest in having Fairtrade products more widely available and showed particular interest in seeing Fairtrade offered in restaurants and discount stores.
- Mature consumers were the highest value segment for Fairtrade due to their higher incomes, knowledge of Fairtrade, and purchasing frequency.
- Younger consumers were positive towards Fairtrade and could represent future growth for Fairtrade. They could be strong influencers with developed social networks.
- Consumers shopping in mainstream stores could respond well to clear messaging and greater product choices (Fairtrade Canada, 2011).

As shown in Figure 6, Fairtrade sales have shown more rapid increases in Canada over the past five years.

Figure 6: Annual Growth Rate of Labelled Fairtrade Food Products in Canada: Selected years based on first year of new product category

	1999	2002	2003	2005	2006	2007	2008	2009	2010
Cocoa (kg)			205%	66%	91%	1%	40%	-44%	310%
Coffee (kg)	253%	53%	56%	56%	61%	64%	30%	12%	5%
Fresh Fruit (kg)				32%	-97%	-98%	-	56%	35%
Herbs/Spices (kg)						-15%	179%	39%	-28%
Grains (kg)					54%	5%	-10%	149%	-67%
Sugar (kg)		1871%	55%	158%	97%	75%	-3%	n/a	12%
Tea (kg)		124%	37%	74%	74%	159%	23%	3%	-37%
Nuts and Oils (kg)								183%	363%
Wine (L)							2%	91%	296%

Source: *Fairtrade Canada, 2011.*

Australia/New Zealand

Total retail sales of certified Fairtrade products grew nearly 200% between 2009 and 2010 in Australia and New Zealand, reaching almost US$144 million (Fairtrade Australia New Zealand 2011). Coffee holds the biggest share of Fairtrade certified products in New Zealand, however, chocolate has surpassed coffee in Australia. The range of Fairtrade certified food products available in Australia and New Zealand has expanded to also include tea, rice, sugar, quinoa, nuts, and bananas. Meanwhile the number of Fairtrade licensed businesses across both countries increased to 250, a 15% increase from 2009 (Fairtrade Australia New Zealand, 2011).

In Australia, research conducted by the Mobium Group in March 2010 showed a 5% increase in awareness of the Fairtrade label to approximately 25%, compared to the same time in 2009. This awareness increased to over 84% by consumers who fit into a socially conscious consumer segment. In New Zealand, consumer research conducted in June 2010 showed that recognition of the Fairtrade label had risen to 51%, an increase of 10% over the previous year (Fairtrade Australia New Zealand, 2011).

United States (U.S.)

The U.S. now has over 10,000 Fair Trade certified products available in 60,000 retail locations. As shown in Figure 7, for imports in 2010, most food categories showed growth, particularly for cocoa (67%), sugar (60%), vanilla/spices (97%), and honey (267%).

The U.S. is particularly interesting due to a recent change in the policy direction of FairTrade USA, the leading certifier of Fair Trade products in that country. In September 2011, they announced they would be leaving the FLO global network to operate within their own certification framework under a “Fair Trade for All” banner. The organization intends to revise standards to make them more consistent across categories as well as implement standards for product categories not currently offered, expand sourcing of Fair Trade products to provide a greater supply to U.S. businesses and consumers, create new approaches to build the business and social capacities of Fair Trade Communities, and launch a national awareness campaign highlighting an October Fair Trade month, Fairtrade Towns and Universities program, social networking, and digital advertising. This break is raising much discussion within the community about the direction of Fair Trade in the future (Fair Trade USA, 2011).

COUNTRY PROFILES (continued)

Figure 7: Imports of Fair Trade Certified Products into the U.S. in '000 pounds, 1998-2010

	Coffee	Tea	Cocoa	Grains	Sugar	Produce	Vanilla/ Spices	Honey	Wine
1998	76								
1999	2052								
2000	4,250								
2001	6,669	65							
2002	9,748	87	14						
2003	19,239	96	179						
2004	32,974	180	728			8,814			
2005	44,585	518	1,037	74	272	7,384			
2006	64,774	630	1,814	391	3,582	6,177	197		
2007	66,339	1,135	1,951	426	8,657	8,030	149		
2008	87,773	1,372	3,848	318	8,696	25,493	44	266	258
2009	108,373	1,372	2,629	1,276	11,308	50,273	149	251	1,451
2010	108,929	1,889	4,393	1,437	18,146	51,055	294	919	530
% growth 2009-10	1	38	67	13	60	2	97	267	-63

Source: *Fair Trade USA Almanac, 2010.*

Source: *Fairtrade Canada.*

DOMESTIC PERSPECTIVE

The Fair Trade movement has generally been considered a way to assist farmers and workers in developing regions, however, this philosophy and its practices are now being adopted domestically in North America and Europe. The line of reasoning is that small scale farmers around the world face similar issues, and now with consumer interest more focused on local, organics, and conscious consumption, the fit with Fair Trade is more achievable in developed countries.

Farmer Direct Co-operative Ltd. (FDC), a farmer-owned business of 60 certified organic family farms in Saskatchewan, is the first organization in Canada and the U.S. to receive domestic Fair Trade certification under the fairDeal banner. Along with fair prices to farmers and living wages to farm workers, fairDeal was founded to incorporate fair trade, pay equity and other additional ethical standards into organic agriculture. Members are farmers who grow cereals, pulses and oilseeds and ranchers who raise beef and bison. Their products carry a fairDeal label and are marketed directly to food manufacturers and processors in Canada, U.S., Europe and Asia (FDC, 2011).

Source: *FDC.*

DOMESTIC PERSPECTIVE (continued)

This isn't the only domestic Fair Trade initiative in North America. The Fair World Project was launched by the Organic Consumers Association in 2010 to promote Fair Trade in all countries in commerce, especially in organic production systems, and to protect the term "Fair Trade" from misuse for marketing purposes (Fair World Project 2011). The Fair Trade Sustainability Alliance released a domestic Fair Trade standard targeted to U.S. farms in July, 2011. The governing principles include: a fair price for producers; a living wage for all farm workers; acceptable living conditions for regular and migrant/seasonal workers; safe working conditions for all workers; and community development projects in connection with each certified project (FairTSA 2011). Ecocert is an example of an international inspection and certification body operating in Canada that has moved beyond organics to include a complimentary standard for Fair Trade. The "Ecocert Fair Trade" label guarantees transparency over products that are both organic and Fair Trade (Ecocert Group, 2011). In PEI, the National Farmers Union and Cooper Institute have been working on domestic Fair Trade policy and programming for several years (Cooper Institute, 2010).

The Domestic Fair Trade Association is a collaboration of farmers, farm workers, food system workers, retailers, manufacturers, processors, and NGO's who see the similarities in the challenges of faced by rural communities around the world. They recognized the momentum building around domestic Fair Trade and the need for coordination to prevent consumer confusion developing around Fair Trade labelling. Early in 2011, a number of certifiers and agriculture and food stakeholders agreed, under the banner of the Boston Accord, to work cooperatively on standards, certification and building on Fair Trade ideals (DFTA, 2011).

Geo Fair Trade Project

This project uses a Geographical Information System (GIS) Geoportal to enable Fairtrade products to be easily identified and traced to their origin as well as map out relevant indicators related to social and environmental issues, food safety, product quality, and sustainability. Online interactive tools allow producers to describe how Fairtrade endeavours impact the economic, social and environmental conditions of their communities, while consumers can see the direct implications of their purchasing pattern on the livelihoods of identifiable groups of producers and workers (Geofairtrade Project, 2011).

Source: *Geo Fair Trade Project.*

GROWING PAINS

At present, two schools of thought dominate the discussions on how Fair Trade should evolve: one is promoting growth to gain as much market opportunity as possible; the other opposes the move toward mainstream retail until the principles of Fair Trade can be assured in the broader marketplace to the satisfaction of all current Fair Trade players. Two issues seem central to the debate: growth of the retail market spurred by the introduction of multi-nationals to product development and sales; and the increasing administrative burden associated with Fairtrade certification. Please refer to the sources used in this report for further detail.

GROWING PAINS (continued)

Retail Issues

- Consumers can become confused by the numerous independent standards associated with all or part of the principles of Fair Trade.
- There is no mechanism to differentiate between importers that are all Fair Trade and those that import only a small percentage of Fair Trade goods.
- Businesses promoting and selling Fair Trade products outside the certification system threaten the movement's credibility and the set price return to producers.
- More sophisticated consumers are attracted to Fair Trade, but also require other attributes related to their needs, such quality, organic, health, and convenience, that might not be available.
- There is a need to diversify and create value-added products rather than stay with the commodities currently offered as Fair Trade.

Administration Issues

- The perception that certification fees can be too high for some disadvantaged farmer cooperatives.
- The risk that growing costs of marketing and awareness programs could reduce returns to producers.
- There is a growing need to work with large retailers and processors.
- There is a need to balance standards and over-regulation.
- Pricing set by the Fairtrade Labelling Organization International (FLO) may not take into account the wage and living disparities that exist in different parts of the world and could be too low for certain producers and farmers.
- Market share can be so small that the benefits are localized rather than shared broadly to the community. More trade involving larger quantities of products might be more beneficial.
- The lack of producer representation in the governance of Fairtrade such as standards development and the processes around how Fairtrade is done and who can participate. (Note: This issue was addressed in October 2011, when the Fairtrade International Assembly voted to increase producer representation to 50%, giving them equal voice in the highest decision-making body of Fairtrade.)

Fairtrade Towns

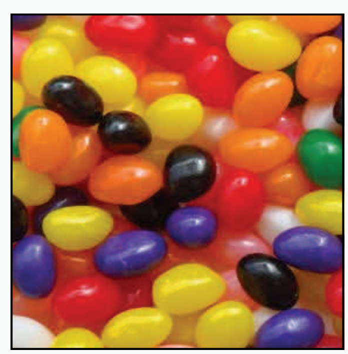
The first Fairtrade Town was established in 1999 in Garstang, U.K. Since then, it has become an international initiative involving over 1000 towns in over 20 countries (Fairtrade Towns, 2011). In Canada, the first Fairtrade city was Wolfville, Nova Scotia in April, 2007, and since then, 15 more towns and cities have been added to the list. Canadian criteria include:

- The local council uses Fairtrade certified products and supports the Fairtrade Towns campaign;
- Stores and restaurants serve Fairtrade certified products;
- Workplaces, faith groups, and schools use and promote Fairtrade certified products;
- There are public awareness events and media coverage held on Fairtrade and the campaign;
- A steering group is created for continued commitment; and
- Other ethical and sustainable initiatives are promoted within the community.

***Source**: Fairtrade Canada, 2011.*

***Source**: Fairtrade Canada, 2011.*

***Source**: Fairtrade Canada, 2011.*



IN THE MARKETPLACE

The availability of Fair Trade products has steadily advanced from the shelves of Europe's small specialty shops to the shelves of the world's largest supermarkets, and is now starting to make inroads in foodservice. The agriculture and agri-product sector's interest in responding to consumer demand, the need to diversify to gain market share and the desire to contribute to social responsibility has found a fit with the established Fair Trade movement. This partnership, although evolving, is seeing benefits for all involved. This section takes a look at several key players and products making Fair Trade news.

Foodservice

Sodexo is a leading foodservice corporation operating in 80 countries with over 380,000 employees. As part of their corporate social responsibility (CSR) policy, they have committed to increasing the purchase of products from fairly traded certified sources by 2015. Already, the company is a significant buyer of Fair Trade products. Their globally available Aspretto coffees and teas are based on a comprehensive sustainability theme and are certified. In the Netherlands 2.16% of their total purchases were Fair Trade in 2010 and, in Belgium, Sodexo only uses FairTrade and organic bananas, representing 5% of the Fair Trade banana market in the country. In addition to increasing purchasing, Sodexo is planning to become more involved in consumer awareness programs, participatingin promotional Fair Trade events, assisting suppliers to achieve accreditation in countries where they operate, and working with the community to build the availability of Fair Trade products (Sodexo, Corporate Citizenship Progress Review, 2010). Even with this leadership, Fair Trade is not yet resonating with foodservice patrons. For example, when choosing restaurants, Fair Trade is really not on the radar of most consumers. As shown in Figure 8, menu selection, prices, location, and service are the dominant factors in this decision. Patrons in the age group 18-34 are more likely to include green and sustainable efforts in their dining decisions, but organic and local trump Fair Trade.

Figure 8: Key Dining Attributes by Age (%)

"When thinking about the last time you ate at a restaurant, please select those attributes that most figured into your decision on where to eat."

	All	18-24	25-34	35-44	45-54	55-64	65+
Menu Selection	74	68	72	68	76	83	76
Prices	69	73	73	70	69	64	67
Convenient Location	67	66	63	64	64	74	72
Service Style	28	28	27	21	29	35	31
Local/Organic Ingredients	7	10	10	8	6	6	4
Sustainable Ingredients	7	10	12	8	4	5	5
Fair Trade	5	8	8	6	3	3	3
CSR Programs	4	6	7	5	2	3	3
Other	5	3	3	4	4	6	11
None of the Above	3	3	3	3	2	2	3

Source: *Mintel, Foodservice Green and Sustainability Initiatives - U.S. September 2011.*

Retail

Sainsbury was one of the first supermarkets in the world to sell Fairtrade products, specifically carrying the first Fairtrade certified product available in the U.K. in 1994: Green and Black's Maya Gold Chocolate. They now carry over 850 Fairtrade products and, in 2009, sold an estimated 1200 Fairtrade bananas per minute. All Sainsbury brand roast and ground coffee, bananas, sugar, tea, hot chocolate and drinking chocolate, and Taste the Difference South African wines are now 100% Fairtrade. In addition, they have initiated a Fair Development Fund to help support a number of Fairtrade initiatives (Sainsbury, 2011).

In 1998, the Carrefour Group was one of the first mass retailers to offer a Fair Trade product and by 2010, had become the major retailer of Fair Trade in Europe with nearly 1100 Fair Trade products on offer in the chain. Carrefour launched its own brand in 2007 and now over 480 products bear the Max Havelaar label. With sales reaching approximately US$55 million in 2010, Carrefour is a major retailer of Fair Trade products in France (Carrefour, 2011). Although no Fair Trade champion has yet emerged among retailers in Canada, Fair Trade products can be found in many stores, and reviews of their CSR policies demonstrates an adherence to the principles of Fair Trade.

IN THE MARKETPLACE (continued)

Source: *Datamonitor, 2011.*

Crofter's is an example of how a Canadian food processor can respond to consumer interests in Fair Trade, as well as responding to other socially conscious trends. Crofter's Just Fruit Spreads include ten flavours and are promoted as "kosher certified Orthodox Union", "organic" and "perfectly sweetened with Fair Trade cane sugar." They also cater to the health conscious buyer with the claim of only 35 calories per serving (Datamonitor, Product Launch Analytics, 2011).

Chocolate has been a recent Fair Trade success story, contributing significantly to the overall global increase in sales. In 2007, 113 Fair Trade chocolate products were launched globally, growing to 221 in 2010 and there are certainly market signals that this growth pattern will continue. Multinationals Cadbury and Nestlé have led the introduction of Fairtrade versions of popular products into the market and Mars recently announced that Fairtrade Maltesers will be available in the U.K. early in 2012. Although the U.S., Germany, the U.K., France, and Austria, have seen the most new products in the market, Canada is seeing similar growth. In 2007, there were 22 new launches of chocolate products, growing to 18 in 2010. The Cadbury Dairy Milk 100 g Milk Chocolate Bar is available in Canada in a new toffee variety, "milk chocolate with buttery toffee pieces," from Cadbury Adams Canada. The Cadbury Dairy Milk bar (100 g) isexpected to also be available soon in Fairtrade certified versions (Datamonitor, Product Launch Analytics, 2011).

Source: *Datamonitor, 2011.*

Source: *Datamonitor, 2011.*

Herbs and spices are other product categories on the upswing. For Canadian processors, this offers an opportunity to incorporate Fair Trade ingredients in new product development or in reformulating a current product. Sahana offers a line of Fair Trade Organic Spices in Canada under the Arayuma brand name. Varieties include Ground Turmeric, Ground Cinnamon, Ground Cardamom, and Whole Curry Leaves. The Ground Turmeric is promoted on labels as: "USDA organic–Fair Trade certified–Biodynamic–Non-irradiated–Gluten-free–HACCP certified" (Datamonitor, Product Launch Analytics, 2011).

Source: *Datamonitor, 2011.*

Alcoholic beverages are another growth area for Fair Trade and may overtake organic sales in developed countries over the next five years. According to Datamonitor research, over half of consumers around the world stated that ethics/sustainability does exercise some influence on their alcoholic beverage choice. This research also indicated that consumers within this segment appear persuadable toward Fairtrade through awareness building and the use of the Fairtrade certification and logo. Wine seems particularly suited to Fairtrade certification, as consumers are generally better informed and more interested in the origins and production conditions associated with wine than for most other consumer goods. (Datamonitor, 2010). For producers, wine also presents a better opportunity to capture the larger return of a value-added product. Stellar Winery, South Africa, was the first organic winery in the world to be awarded Fairtrade certification from FLO e.V. in June 2011 (Stellar Winery, 2011).

Ben and Jerry's has set a target that all ingredients in their 58 flavours of ice cream that can be sourced from Fairtrade will be certified by 2013. The company was the first global ice cream brand to use Fairtrade ingredients with the introduction of a vanilla in 2006 and have been working toward their goal since that time (Unilever, 2011).

Source: *Datamonitor, 2011.*

Source: *Datamonitor, 2011.*

Easy Bean, a U.K. company, is an example of a processor actively working to build Fairtrade into their products. They collaborated with the U.K.'s Fairtrade Foundation to establish accreditation for pulses, and then developed two of their "one-pot" convenience meals (New Mexican Chilli and African Palava) using beans cultivated by a farmer association in Inner Mongolia. There will be more processed and convenience-based product launches in future, as the range and volume of Fair Trade ingredients increases (Easy Bean, 2011).

CONCLUSIONS

Fair Trade offers producers and processors within the Canadian agriculture and agri-products sector opportunities related to product formulation, production systems, marketing and certification options. A number of trends and potential developments have been presented in the literature used to develop this report.

- Although more major retailers are offering Fair Trade products, they are using their own CSR policies to decide which to carry, and for those companies with their own private label lines, how they will source their ingredients. It is important to understand what retail channels areavailable and accessible as part of assessing any competitive advantage for multi-ingredient, or commodity, Fair Trade products.
- The Consumer Packaged Goods sector is also using CSR policies on an increasing basis to guide business decisions, and, like the retail sector, will be using it as a way to screen if and how Fair Trade can be used in their products.
- Producers and suppliers associated with Fair Trade must be completely transparent. Consumers are more knowledgeable about socially conscious consumption options and are less likely to accept unverified Fair Trade claims or efforts to "greenwash" or market products with only the appearance of sustainability.
- Consumers are also suspicious of businesses entering the market who appear to have a short-term opportunistic association with an issue or cause. Products will be more successful if the company can demonstrate longer term support of Fair Trade or similar social causes.
- Fair Trade owes a significant amount of its success to the various promotional and policy initiatives associated with supporting and developing its missions and values. How a producer or processor relates to these initiatives is being noted by consumers, particularly through social media.
- Combining Fair Trade claims with other ethically oriented benefits will increase the attraction that socially conscious consumers have to products. For more mainstream consumers, attaching Fair Trade with attributes such as nutrition and healthy eating, value, quality, and convenience is vital to sales growth.
- The production, processing, certification and marketing of Fair Trade products in Canada follows strict guidelines. Fairtrade Canada is the primary contact for anyone interested in any aspect of Fair Trade domestically and internationally.

A FAIR TRADE GLOSSARY

Formalizing the structure and certification of Fair Trade has helped define its terminology. Here are some key terms, as defined by Fairtrade International, as well as some prominent organizations and information sources.

Fairtrade
The product certification and labeling system and related activities operated by Fairtrade International and its members.

Fairtrade Composite Product
A product composed of more than one ingredient, of which at least one is Fairtrade certified. In Fairtrade composite products, all ingredients for which there are Fairtrade Standards must be certified in order to carry the mark on packaging. There needs to be a minimum specified amount of Fairtrade ingredients in the product.

Fairtrade Minimum Price (FTMP)
The minimum price that must be paid by buyers to producers for a product to become certified against Fairtrade Standards to cover producers' average costs of production and allow market access. The FTMP is in effect unless the market price for a product (which is variable) is higher.

Fairtrade Premium
The amount paid to producers over the price allocated to the investment in the producers' business, livelihood and community or to the socio-economic development of the workers and their community.

A FAIR TRADE GLOSSARY (continued)

Fairtrade Standards
Requirements, both generic and Fairtrade product-specific, that have to be met in order to obtain certification.

Fair Trade
A trading partnership based on dialogue, transparency and respect, with respect to trading conditions, that seeks greater equity in international trade, especially for producers and workers in developing countries.

Fair Trade Organization or Alternative Trade Organization
Organizations operating within Fair Trade principles and actively supporting producers, trading, raising awareness of issues and advocating the integration of Fair Trade principles into international trade practices.

Producer Network
A regional network of producers and/or regional associations who work together for a common interest, such as production practices, marketing or product development.

World Fair Trade Day
First took place May 4, 2002 and is now celebrated internationally the second Saturday of May.

Domestic Fair Trade Association
To reinforce family scale, farmer-led initiatives, such as cooperatives, and to bring these groups together with mission-based traders, retailers and consumers to contribute to sustainable agriculture in North America in a manner consistent with the values of international Fair Trade.
http://www.thedfta.org/

European Fair Trade Association (EFTA)
Supports the work of 10 Fair Trade importers in 9 European countries by facilitating the exchange of information and networking, maintaining a centralized supplier database, as well as identifying and developing joint projects related to marketing, monitoring of practices, advocacy and campaigns.
http://www.european-fair-trade-association.org

Fairtrade Labelling Organizations International (FLO)
Provides leadership, tools and services needed to connect producers and consumers, promote fairer trading conditions and work toward sustainable livelihoods. Fairtrade Labelling Organizations International eV is the legally registered name for “Fairtrade International.”
http://www.fairtrade.net

Fair Trade Advocacy Office
Monitors international trade and development policies, ensures a constant dialogue between the movement and political decision makers, develops policy positions in the area of Fair Trade and trade justice and publishes information material.
http://www.fairtrade-advocacy.org

Fair Trade Resource Network (FTRN)
Raises consumer awareness of Fair Trade by gathering and compiling research and data about Fair Trade; providing information about Fair Trade to the public, media and advocates, assisting Fair Trade organization campaigns; and creating a space for dialogue and exchange.
http://www.fairtraderesource.org

FLO-CERT Gmbh
Offers Fairtrade certification services to clients in more than 70 countries as proof of successful Fairtrade certification and as authorization to trade Fairtrade products.
http://www.flo-cert.net/flo-cert/

World Fair Trade Organization (WFTO)
A global network and advocate of 450 members in 75 countries for Fair Trade enabling producers to improve their livelihoods and communities through 100% Fair Trade.
http://www.wfto.com

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Source: *Fairtrade Canada, 2011.*

Source: *Fairtrade Canada, 2011.*

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Socially Conscious Consumer Trends: Fair Trade

ISSN 1920-6593
AAFC No. **11737E**

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