



Fair Trade Certified™ | Coffee FAQ

For Manufacturers and Importers

Why should my company offer Fair Trade Certified coffee?

Fluctuations in world coffee prices have created a crisis for millions of farmers around the world. Most small-scale coffee farmers live in remote locations and typically have no access to the world market and no knowledge of trends in their industry. In the end, farmers often sell their coffee at a fraction of its worth, leaving them unable to invest in sustainable farming methods and forcing them to lean heavily on their own children for help, denying them education and perpetuating their communities' cycle of poverty.

Fair Trade Certified coffee helps family farmers in developing countries gain direct access to international markets, as well as develop the business capacity necessary to compete in the global marketplace. By receiving a fair price and learning how to market their own harvests, Fair Trade farmers are able to manage their businesses, improve the quality of their coffee and provide for their families. Additionally, Fair Trade requires strict labor standards that foster healthy working conditions and provides additional community development funds, called the Fair Trade Social Premium, that give producer groups the opportunity to invest in the future of their farms and communities.

How will Fair Trade Certified coffee help my business?

Consumer demand for socially responsible goods is rising. According to the Cone Cause Evolution Study, 87% of consumers would change from one brand to another if the brand was associated with a good cause¹ and 50 million Americans say they actively base their purchasing decision on how the products they consume affect the world.²

Fair Trade Certified, the most consumer-recognized label of social responsibility, is an invaluable asset to businesses across the country as the guarantee consumers look for on a daily basis. Third-party verification, offered only by TransFair USA in the U.S., is key to building consumer confidence in marketing claims of social responsibility.

Sourcing Fair Trade Certified coffee also gives businesses access to unique supply and market information unavailable in conventional trade relationships and provides the opportunity to tell customers compelling stories of its impact on exotic origins and proud growers.

“Fair Trade Certified coffees are among the best”

– Bob Fulmer, President of Royal Coffee



What's the social impact of Fair Trade on coffee producers?

Through Fair Trade, coffee farmers and their families are earning a better income for their hard work, allowing them to hold on to their land, keep their kids in school, and invest in the quality of their harvest so they can continue to grow excellent coffee for our morning brew. Since 1998, \$91.7 million⁴ in additional income has been channeled to cooperative, small-scale family farmers and Fair Trade premiums have allowed cooperatives to invest in community projects. For example:

- o KNCU, Tanzania - KNCU (Kilimanjaro Native Cooperative Union) provides scholarships for members' children in addition the cooperative formed the Kilimanjaro Cooperative Bank which enables members to access loans and a number of other banking services.⁵
- o CCT, East Timor – CCT (Cooperativa Café Timor) uses Fair Trade premiums for its revolutionary healthcare programs. CCT has set up 10 full-service clinics as well as 25 mobile clinics that make regular calls to remote locations. Free primary healthcare is provided to all CCT members and their immediate families. By the end of 2006, CCT clinics had attended to the needs of over 1 million rural family patients since the clinics were opened. The health services focus on prenatal care, as East Timor has a very high infant/maternal mortality rate.⁶

How does Fair Trade coffee benefit the environment?

Fair Trade certification requires the use of sustainable farming methods that respect the environment and wildlife. Producers must implement a system of Integrated Crop Management (ICM), which uses a number of strategies to balance agricultural production and economic concerns

¹ Cone Cause Evolution Study 2007

² LOHAS Consumer Trends Database™, NMI 2006

³ TransFair USA (2007) Fair Trade Almanac 1998-2006. Available at: www.transfairusa.org

⁴ TransFair USA (2007) Fair Trade Almanac 1998-2006. Available at: www.transfairusa.org

⁵ TransFair USA (2007) KNCU Producer Profile

⁶ TransFair USA (2007) CCT Producer Profile



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with environmental sustainability and protection. Selling at Fair Trade prices also enables farmers to pay for organic certification and training in sustainable agriculture techniques. For instance, CEPICAFE in Peru provides training and technical assistance in land management, irrigation, quality control, and organic farming methods. CEPICAFE has also purchased depulpers, humidity detectors, and other equipment to improve product quality and efficiency.⁷

Fair Trade also encourages farmers to use sustainable post-harvest processing. Many Fair Trade cooperatives compost coffee pulp rather than dumping it into local waterways. Some have also invested in new, environmentally-friendly processing mills that greatly reduce resource use. Approximately 80% of the Fair Trade Certified coffee sold in the U.S. is also certified organic.⁸

Where is Fair Trade coffee grown?

FLO has certified over 240 producer cooperatives in Africa, Asia, and Latin America. Contact TransFair USA at coffee@transfairusa.org to obtain a list of producer groups offering Fair Trade coffee.⁹

For the most up-to-date list of licensed Fair Trade Certified coffee brands, importers, distributors and manufacturers, consult <http://transfairusa.org/content/certification/licensees.php>.

What is the price for Fair Trade coffee?

Currently, Fair Trade Certified producers are paid a minimum of \$1.21/lb. for Fair Trade Certified coffee. If the world price rises above these levels, the Fair Trade minimum rises to the market price. For Arabica coffee, the reference market price is based on the New York "C" contract, in cents per pound. The Fair Trade Social Premium is an additional 10¢/lb. for conventional coffee. In addition to the investment premium, there is an additional 20¢/lb. premium for certified organic. The minimum price, including premium, is therefore \$1.31 for conventional coffee and \$1.51 for organic.

For additional information, or to see price variance according to type and origin of coffee, consult the FLO coffee standards at www.fairtrade.net/product_standards.html.

How do I become licensed to sell Fair Trade Certified coffee?

Companies wishing to use the Fair Trade Certified label must enter into a formal relationship with TransFair USA by signing a Certification Agreement. Licensed Fair Trade companies agree to:

- Purchase from an importer, distributor, or manufacturer who is licensed by TransFair USA or import directly from producers listed on FLO's producer register according to Fair Trade criteria.
- Report quarterly on all sales and purchases of Fair Trade products and submit supporting documentation at the request of TransFair USA.
- Submit all promotional materials that carry the Fair Trade Certified™ mark and/or the phrase "Fair Trade Certified" for approval by TransFair USA's Business Development Department prior to printing.

In addition, coffee roasters are required to pay a license fee to TransFair USA. The fee is 10¢ per pound of green coffee purchased from authorized Fair Trade importers during each calendar quarter. The fee is applicable for all coffee purchased regardless of whether it is sold with the Fair Trade Certified label. Contact coffee@transfairusa.org for more information.

How does TransFair USA ensure coffee farmers are receiving the Fair Trade price?

TransFair USA ensures that products bearing the Fair Trade Certified mark came from FLO-CERT Certified producer groups through a rigorous monitoring and audit process. In order to become licensed to sell Fair Trade Certified coffee products, importers and roasters contractually agree to provide documentation of all Fair Trade coffee transactions on a regular basis. Since every bag in each container of the coffee is labeled with that container's unique identification number, it is possible for TransFair USA to keep track of each shipment from cooperative to importer to roaster. For every container of coffee purchased from a certified cooperative by a certified importer, producers verify that they received the appropriate price. TransFair USA's status as non-profit, independent certifier allows for unbiased monitoring of each company's Fair Trade products.

Where can I get more information?

Please contact coffee@transfairusa.org if you have any additional questions regarding Fair Trade coffee certification.

⁷ TransFair USA (2007) CEPICAFE Producer Profile

⁸ TransFair USA (2007) Fair Trade Almanac 1998-2006. Available at: www.transfairusa.org

⁹ Fairtrade Labelling Organizations International Annual Report 2006/2007

¹⁰ The minimum price varies slightly by region, though the Premium is constant. For more information, please see the FLO standards, available online at www.fairtrade.net

¹¹ The fee schedule offers discounts to coffee roaster licensees for 1) submitting reports on-time; 2) reaching benchmarks for the percentage total green coffee purchases that are FTC; and 3) reaching benchmarks on absolute volume of FTC purchases. Please see Section 5.01

and Appendix 6 of the Fair Trade Roaster/Distributor License Agreement for details.

¹² If you have existing Fair Trade coffee inventory upon becoming a licensee of TransFair USA, the fee must be paid if the coffee is to be roasted and sold with the FTC label. If the existing coffee is to be used in blends and sold without the FTC label, the coffee is exempt from the fee. This condition applies only for existing coffee inventory at time of signing the license agreement. After a roaster becomes licensed with TransFair USA, the fee must be paid on all Fair Trade green coffee purchased during the quarter, whether it is sold with the FTC label or not.



Fair Trade Certified™

Certification Overview



Fair Trade certification is an innovative, market-based approach to sustainable development that helps farmers and workers in the global South benefit from international trade.

Providing a sustainability solution

Most small-scale farmers live in remote locations and typically have no access to the world market and no knowledge of trends in their industry. In the end, farmers often sell their products at below market value, leaving them unable to invest in sustainable farming methods and forcing them to rely on their children for help, denying education and perpetuating a cycle of poverty.

Fair Trade certification helps farmers in developing countries gain direct access to international markets and develop the business skills necessary to compete in the global marketplace. Fair Trade farmers are able to bootstrap their businesses, improve the quality of their products, protect the environment and provide for their families. Additionally, Fair Trade's strict labor standards foster healthy working conditions, and additional community development funds give producer groups the opportunity to invest in the future of their farms and families.

Fair Trade principles include:

Fair price. Democratically organized farmer groups receive a guaranteed minimum floor price and an additional premium for certified organic products. Farmer organizations are also eligible for pre-harvest credit.

Fair labor conditions. Workers on Fair Trade farms enjoy freedom of association, safe working conditions, and living wages. Forced child labor is strictly prohibited.

Direct trade. With Fair Trade, importers purchase from Fair Trade producer groups as directly as possible, eliminating unnecessary middlemen and empowering farmers to develop the business capacity necessary to compete in the global marketplace.

Democratic and transparent organizations. Fair Trade farmers and farm workers form representative groups in which they decide democratically how to invest Fair Trade revenues.

Community development. Fair Trade farmers and farm workers invest Fair Trade premiums in social and business development projects like scholarship programs, medical clinics, and organic certification.

Environmental sustainability. Harmful agrochemicals and GMOs are strictly prohibited in favor of environmentally sustainable farming methods that protect farmers' health and preserve valuable ecosystems for future generations.



“TransFair USA enables sustainable development and community empowerment by cultivating a more equitable global trade model that benefits farmers, workers, consumers, industry and the earth. We achieve our mission by certifying and promoting Fair Trade products.”

-TransFair USA's Mission Statement

Trusted third-party guarantee

TransFair USA, a non-profit organization, is the only independent, third-party certifier of Fair Trade products in the U.S. and one of 21 members of Fairtrade Labelling Organizations International (FLO). TransFair's rigorous audit system, which tracks products from farm to finished product, verifies industry compliance with Fair Trade criteria. TransFair allows U.S. companies to display the Fair Trade Certified label on products that meet strict Fair Trade standards. TransFair USA currently certifies coffee, tea, cocoa and chocolate, fresh fruit, sugar, rice, vanilla, herbs and flowers.

Fair Trade certification empowers farmers and farm workers to lift themselves out of poverty by investing in their farms and communities, protecting the environment, and developing the business skills necessary to compete in the global marketplace

Fair Trade Certified products have generated more than \$94 million in additional, above-market revenue for farmers in developing countries throughout Latin America, Africa and Asia since 1999.¹

¹TransFair USA Fair Trade Almanac 1998 - 2006



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Fair Trade Certification and Your Business



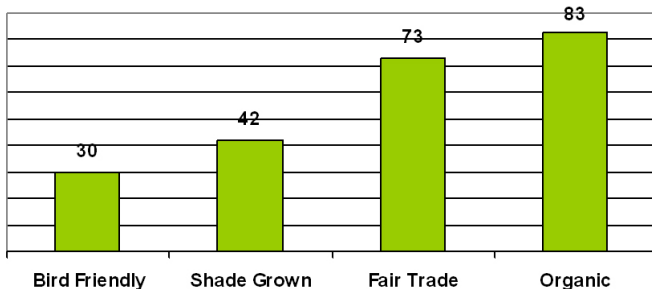
Fair Trade Certified – the most consumer-recognized label of social responsibility – is an invaluable asset to businesses across the country as the guarantee consumers look for when choosing products.

Third-party certification, offered only by TransFair USA in the U.S., is key to building consumer confidence in cause-related marketing.

Offering Fair Trade Certified Products Helps Your Company:

- Tap into profitable and growing consumer segments
- Build customer loyalty
- Augment your corporate social responsibility (CSR) metric
- Build upon your existing CSR efforts by working with an independent certification leader
- Distinguish your business from your competitors
- Obtain access to unique supply and market information unavailable in conventional trade relationships

Percent of Coffee Industry Agreeing the Fair Trade Certified Label Drives Sales



Source: Datamonitor 2006 Coffee Industry Survey

Consumers Are Buying Fair Trade Certified Products

Consumer demand for socially responsible goods is rising. According to the Cone Cause Evolution Study,¹ 87% of consumers

would change from one brand to another if the brand was associated with a good cause, and 50 million Americans say they actively base their purchasing decision on how the products they consume affect the world.² More than 50% of consumers who are aware of Fair Trade Certified coffee purchase it³ and over 70% of people in the coffee industry say the Fair Trade Certified label drives sales.⁴

Awareness/Purchase of Cause Related Coffee % of Total Coffee Drinkers -- Age 18 and Over

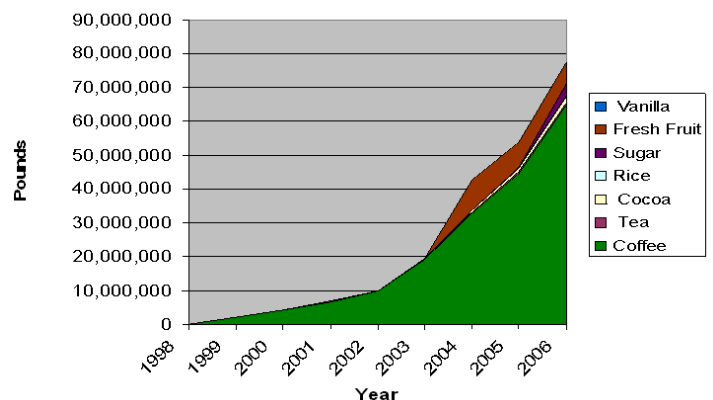


Source: NCA 2006 Coffee Trends Report

A Proven and Growing Market

Sales of Fair Trade Certified products have grown dramatically. Between 2001 and 2006, there was a 53% average annual growth rate for all Fair Trade Certified products in the U.S.⁵ The number of retail locations offering Fair Trade Certified products continues to expand rapidly, providing consumers with greater opportunity to purchase products consistent with their values.

Imports of Fair Trade Certified™ Products, 1998-2006



Source: TransFair USA Fair Trade Almanac 1998 - 2006

¹ 2007 Cone Cause Evolution Study

² NMI 2006 LOHAS Consumer Trends Database

³ NCA 2006 Coffee Trends Report

⁴ Datamonitor 2006 Coffee Industry Survey

⁵ TransFair USA Fair Trade Almanac 1998 - 2006



Fair Trade Certified™

Sourcing and Marketing Support



“After selling more than twice as much Fair Trade coffee as projected in the year, we know the difference Fair Trade is making in coffee companies and in our own business. Fair Trade is a true win-win”

– Rick Peyser, Green Mountain Coffee

In addition to the competitive advantage Fair Trade Certified products offer your business, the Fair Trade network is also devoted to increasing supply, working with farmers to improve product quality and increasing consumer demand. TransFair USA and Fairtrade Labelling Organizations International (FLO) work with businesses to help them source quality products from 57 different countries, helping them navigate complex supply chains and providing unique market information.

TransFair USA's account managers will work with you to develop a plan to introduce your sustainable and socially responsible Fair Trade Certified product line. They will also work with you to increase the sales of your products by communicating the positive impact on the farmers and the environment to your customers.

Sourcing Support

TransFair USA works with FLO to ensure producers meet the Fair Trade Certified standards and continually improve their products, business infrastructure, governance and financial practices.

Ensuring Supply. TransFair USA works closely with FLO to identify new suppliers with relevance for the U.S. market by working with producers on their certification process and continually analyzing supply and demand to identify potential supply shortages.

Capacity-Building. The Global Producer Services (GPS) unit of TransFair USA provides short and long-term capacity-building assistance at origin for producer groups.

Networking. Producers participate in events organized by TransFair USA so that businesses can meet face to face with them to discuss needs and opportunities.

Producer Education. GPS provides business and technical education to producer groups to help them improve their business processes.



Marketing Support

TransFair USA builds consumer awareness and demand for Fair Trade Certified products by developing marketing campaigns, providing marketing tools for business, and partnering with grassroots groups to spread the Fair Trade story.

Promotional Materials. To help businesses market and promote their Fair Trade Certified products, a full suite of point of sale (POS) and collateral materials is available free of charge at www.fairtradecertified.org.

Retail Promotions. Fair Trade Month, held every October, and World Fair Trade Day in May, offer businesses an opportunity to participate in national marketing and PR campaigns that bring attention to the impact of Fair Trade and Fair Trade Certified products. TransFair USA works with retailers and distributors throughout the promotions to showcase Fair Trade Certified products and provides POS and consumer collateral to drive consumer awareness and purchase.

Channel Development. The Business Development team at TransFair USA actively promotes Fair Trade Certified products in all retail channels, including supermarkets, club stores, cafes, varying on-premise locations, and supports manufacturers in the development of key business opportunities.

Tradeshows. Companies are invited to display their Fair Trade Certified products in the TransFair USA's booth at leading tradeshows. These shows offer retailers an opportunity to learn about new Fair Trade products to add to their product lines.



Fair Trade Certified™

Global Impact



Fair Trade Certification's success can be traced to its extensive impact

Farmers and farm workers thrive with Fair Trade.

Fair Trade Certification enables farmers and farm workers to invest in their children's education, protect vital eco systems, avoid the use of harmful chemicals, take preventative health care measures and recover faster from financial and medical emergencies. For businesses in the U.S., Fair Trade's impact on producers translates into greater supply consistency, faster market intelligence, improved product quality and amazing stories for consumers . . . in short, better conditions for farmers means better business partners for industry.

Quality Improvement

CECOCAFEN Coffee Cooperative, Nicaragua

At the CECOCAFEN coffee cooperative in Nicaragua, producing high quality beans is the farmers' primary concern. Like other Fair Trade Certified coffee cooperatives, CECOCAFEN provides technical assistance to member growers, helping them improve crop quality and yield while protecting local ecosystems. But CECOCAFEN has taken quality concerns even further. Fair Trade revenues helped CECOCAFEN finance the construction of their own state-of-the-art, solar-powered processing mill, SolCafe. Members pick, store, and mill coffee in batches by region of origin in order to match up specific coffees with clients' needs. The cooperative also operates a cupping and quality control laboratory, where professional cuppers constantly monitor and document the quality of specific batches.²

Environment

El Ceibo, Bolivia

El Ceibo is deeply committed to protecting the native Andean rainforest and became the first certified organic cocoa cooperative in the world in 1988. Utilizing a tiered cultivation system, El Ceibo is working to avoid the degradation of their native rainforest, and natural and organic methods are used to control pests. Today, El Ceibo farmers grow 70 percent of the total organic cocoa cultivated in Bolivia. The cooperative has also created a cacao tree



nursery, initiated research on alternative cultivation methods, and offers incentives for organic production.³

Health

Kasinthula Cane Growers Sugar Cooperative, Malawi, Africa

Members of the Kasinthula Cane Growers Sugar Cooperative voted to drill wells with their first Fair Trade premium payments so the community could have safe access to drinking water. Previously, three villages in the district relied on water carried from a distant, crocodile-infested river. The unsanitary water frequently transmitted cholera, dysentery and bilharzia, a debilitating disease caused by parasitic worms. The cooperative also supplied a local clinic with the medicine that cures bilharzia. The clinic had been without this basic medication for over three years. Now that these communities have access to safe, clean drinking water for the first time, they are looking toward the future – their current project is to provide building materials for new schools.⁴

Education

Herkulu Tea Estate, Tanzania

Using Fair Trade premiums, Herkulu Tea Estate made drastic improvements to the school for workers' children. Before, the few children who could attend class sat on the floor of a poorly ventilated shed, where they were constantly bothered by mosquitoes. Without a proper roof, classes were cancelled frequently due to heavy rains. Now, new classrooms with benches and a full roof are attracting more students, and classes are conducted rain or shine. "The children of this village are now able to get a good and proper education," said Mussa Athumani,

¹ TransFair USA (2007) Fair Trade Almanac 1998-2006. Available at: www.transfairusa.org

² TransFair USA (2007) CECOCAFEN Producer Profile

³ TransFair USA (2007) El Ceibo Producer Profile

⁴ TransFair USA (2007) Kasinthula Producer Profile



Fair Trade Certified™

Global Impact



a worker on the tea estate. "The number of children attending classes has gone up considerably, and it is noticed that the children are coming to school much better dressed with a drastic change in their behavior."⁵

Business Development

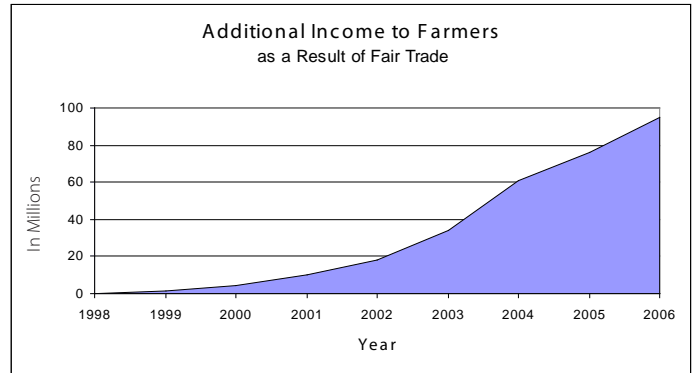
OCFCU Coffee Cooperative, Ethiopia

Fair Trade certification has helped the Oromia Coffee Farmers Cooperative (OCFCU) build closer links between farmers and international markets. Coffee farmers from OCFCU participate in the Specialty Coffee Association of America's annual conference at the Fair Trade Certified booth, where the organization has been able to build international relationships with roasters and importers. This business success has also opened the door for the cooperative to receive loans and credit for infrastructure improvements, further strengthening their business. OCFCU has achieved remarkable success in facilitating smallholder farmers' direct engagement in international trade and offers an example of the potential gains coffee cooperatives can achieve with Fair Trade certification.⁶

Women's Empowerment

Soppexcca Coffee Cooperative, Nicaragua

The Soppexcca coffee cooperative in northern Nicaragua promotes the active, visible integration of women into the cooperative and the community. Sixty-five percent of Soppexcca's 650 members are women, and dozens of women hold leadership positions in the cooperative's organizational structure. The women of Soppexcca established their own coffee collective, "Las Hermanas," which is sold in the U.S. and has won numerous quality awards. The cooperative has also used Fair Trade premiums to establish health programs especially for women, such as reproductive health education and free cancer tests.⁷



Since 1998, Fair Trade farmers have earned \$94 million in additional revenue from U.S. purchases.

⁵ TransFair USA (2007) Herkulu Tea Estate Questionnaire

⁶ TransFair USA (2007) OCFCU producer Profile

⁷ TransFair USA (2007) Soppexcca Producer Profile