



annual report 03|04

Fairtrade Labelling Organizations International



Shopping for a better world

Shopping...

ANNUAL REPORT 2003 | 2004 ▶▶

Last January, Switzerland's second largest supermarket chain and leading distributor of Fairtrade labelled products decided that henceforth, it would sell only Fairtrade-labelled bananas. The year before, McDonald's in Switzerland started selling Fairtrade coffee in all its outlets. At around the same time on the other side of the Atlantic Ocean, Dunkin' Donuts, Americans' default address for take-out breakfast, joined Fairtrade, followed a few months later by the world's largest grocery producer Proctor & Gamble. In the ensuing months, Europe's biggest supplier to canteens and restaurants signed up to Fairtrade.

Instead of talking about companies' increasing participation in Fairtrade however, I must salute the driving force behind it: consumers who care. Consumers who want the world's disadvantaged producers to have a chance to realize their dreams of a decent living by purchasing Fairtrade products. These consumers are the real reason behind the **more than 40% growth of Fairtrade labelled products in 2003** – compared to +21% in 2002.

To assure consumers that their money really reaches those that need it most, and that this money is actually invested in sustainable development, major companies are following the example of World Shops, church groups and thousands of other pioneers of Fair Trade by using a Fairtrade label such as "Max Havelaar", "Transfair", or national Fairtrade labels that provide an independent guarantee to all claims made.

This guarantee is provided by FLO (Fairtrade Labelling Organisations International). FLO is a world-wide network of producers, trading companies and national labelling initiatives that sets Fairtrade standards and provides Fairtrade certification and trade auditing. Also it supports producers in making the most of the opportunities that Fairtrade provides, through business facilitation and producer support. Fairtrade labelling works with low entry standards that allow the least-developed producers to join the system. And the progress standards encourage producers to invest in empowerment and development. Best of all, Fairtrade achieves its aims, as this report illustrates, because millions of consumers around the globe respond to the invitation not to wait until politicians live up to their task, but to make this world a better place for all just by changing everyday shopping habits.

May we invite you to do the same?

Or, if you already do, to tell your family, neighbours and friends about Fairtrade and invite them to enjoy the quality, taste and satisfaction Fairtrade products bring?



Paola Ghillani | Director of Max Havelaar Switzerland, and FLO president from 2001 until May 2004

...for a better world

Fairtrade: principles & practice ▶▶

For most newspapers around the world, the suicide last September 2003 of Mr. Lee Kyung-hae was worth at least a *fait divers*, a moment's glance. He stabbed himself to death in front of the hotel in the Mexican beach resort of Cancún, where the world was meeting to try to agree on rules for world trade that would give the poor in developing countries a fairer chance to produce and sell their products.

The Korean farmer Lee Kyung-hae was bankrupt, a shame to his family and community. He had lost his enterprise, as a consequence of Australian cattle imports distorting the Korean market, causing meat-prices to collapse. The summit he went to, is the "Doha Development Round" of the World Trade Organisation, and seeks to promote global trade and prosperity. The summit failed miserably, however, because the rich developed countries did not want to give up their policies of subsidising their own producers, protectionism – to keep out the competition from producers in

the developing countries– and dumping, to get rid of their surpluses and keep worldwide prices down. Left without any prospect of a better life, Mr. Lee Kyung-hae took his life.

Because they do not kill themselves on the doorstep of world governance, the suicides of Indian cotton farmers usually are not even worth the media's attention. Yet their plight is at least as shameful. As rich countries' subsidies, protectionism and dumping keep world cotton prices dismally low, these farmers try to maintain their income by using even more pesticides to push up the productivity of their plots. To buy these pesticides, the farmers incur huge debts, and then discover that their widespread use makes insect plagues pesticide-resistant. Consequently, yields nosedive and farmers cannot earn enough to repay their debts. Out of despair, a farmer sometimes sees no alternative than, oh irony, to drink his own pesticide – a sure recipe for an awful death through poisoning.

02 03

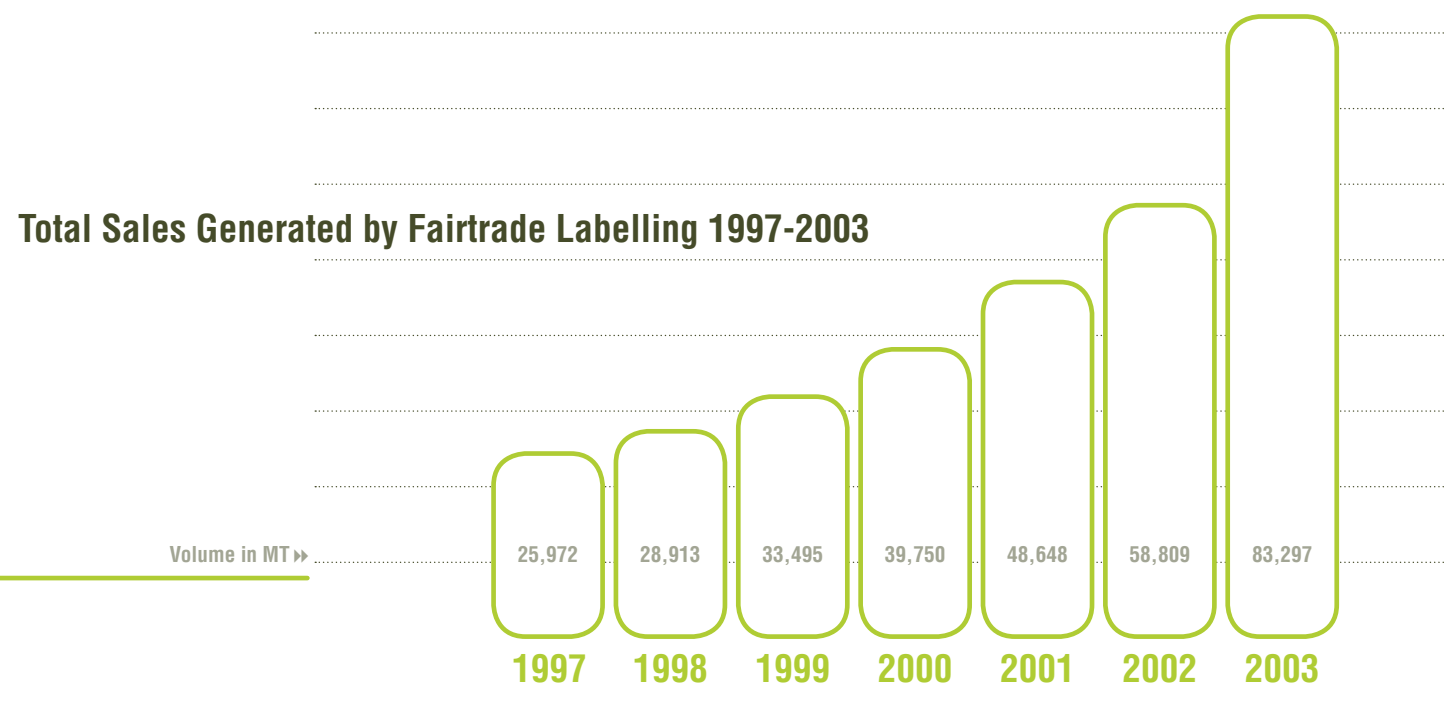
The lesson out of these – admittedly provocative - stories is twofold. One: like humans all around the world, producers in developing countries work hard to produce and earn a living – to the point that some kill themselves to avoid the disgrace of not succeeding. And two: despite all the rhetoric about globalisation yielding prosperity for all, the hard truth is that the world's rich set the terms of trade that deny the poorest a fair chance to sell their products and earn a decent living.

Fairtrade is about a better world, in which the poorest producers get better access to consumers that wish to support their aspiration for a decent life. And it is about using its success as a reference for advocating more equitable terms of worldwide trade. Without subsidies for the world's richest producers and insurmountable trade barriers for the world's poorest.

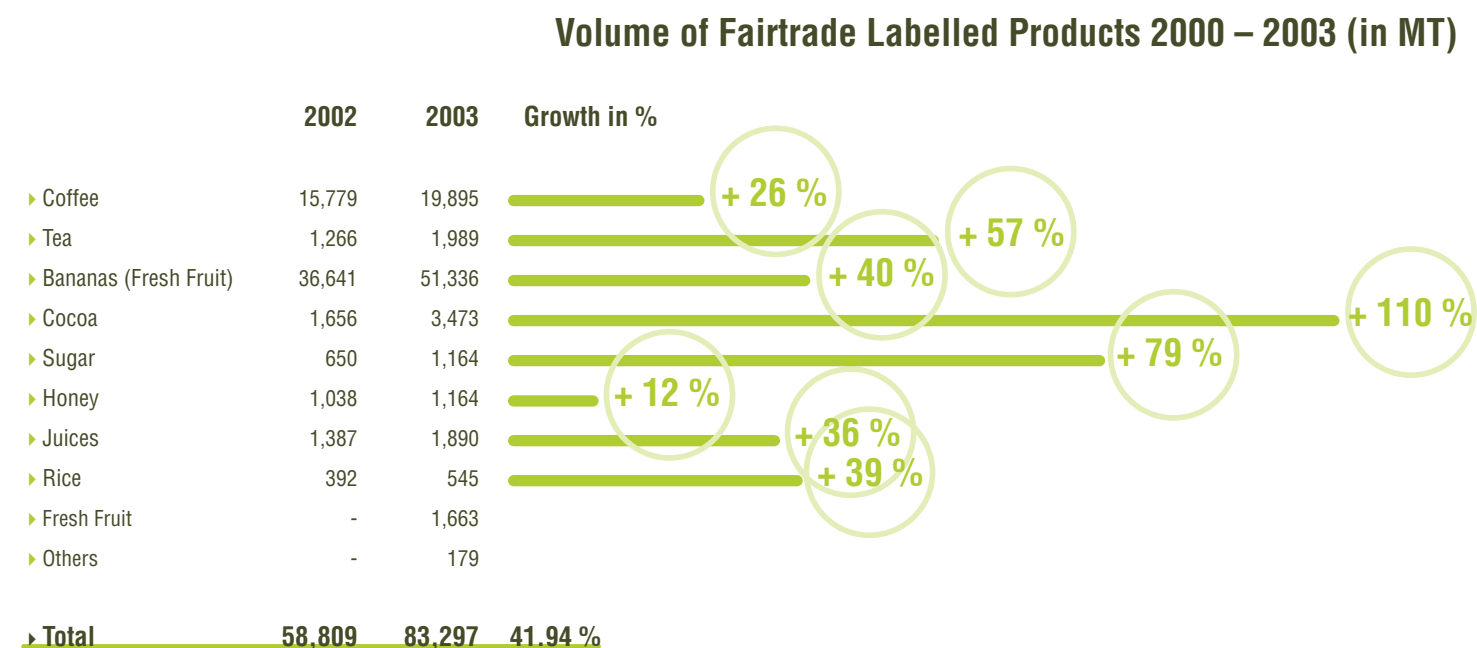
The bottom line for Fairtrade is impact: a better life for small-scale producers

in developing countries; a widespread commitment by consumers to buy from these producers and pay a price that allows them to have enough to eat, send their children to school and obtain adequate health care; and an increasing commitment by the world's politicians and decision-makers to implement policies promoting sustainable welfare and development where it is needed most.

In this report on our activities from mid 2003 until mid 2004, we report on our impact in these three areas. You can read about the development of Fairtrade labelling of fresh fruits, to create a new lease of life for those producers and workers in South Africa. We report on how the consumer's choice for Fairtrade certified products permits over 800,000 producers to invest in their future and that of their children. And you will read about increasing awareness among politicians about unjust trade relations and alternatives to that: **Fairtrade**.



Luuk Laurens Zonneveld | Managing Director FLO International



Fairtrade as norm and reference



FLO International is part of a worldwide network of organisations actively involved in fair trade that are, as the definition goes on to state, “backed by consumers, are actively engaged in supporting producers, in awareness raising and in campaigning for changes in the rules and practice of conventional international trade”.

FLO is the unique fair trade standard setting and certification organisation. It facilitates the sustainable development and empowerment of almost a million disadvantaged producers and workers and their dependents in more than 50 countries by enabling them to benefit from Fairtrade Labelling. FLO International and its 19 members (National Fairtrade labelling organisations known as “Max Havelaar”, “Transfair”, and by other national names) guarantee that products with the Fairtrade Certification Mark are bought and sold in compliance with Fairtrade standards. FLO believes that trade should be undertaken in a way that enables organized small-scale producers to strengthen their position in the marketplace.

A Healthy Divorce

On September 15th 2003, FLO e.V. transformed its former certification department into a separate legal entity: FLO-Cert GmbH (Ltd.). The main reasons for the foundation of FLO-Cert were to make Fairtrade certification operations more transparent, to fully comply with ISO 65 (the worldwide quality standard for certification organisations, see box) and to limit the liability of FLO e.V.

The strong and complementary relationship with FLO e.V. is one of the strengths of FLO-Cert and a requirement for successful social certification. The permanent interaction between the different aspects of Fairtrade labelling - Standard Setting, Certification/Registration, Business Facilitation, Producer Support, and Marketing - constitutes a unique approach to social certification and produces outstanding results for producers in developing countries.

“Say what you do, do what you say”

To ensure Fairtrade certification lives up to the world’s highest standard for certification systems, FLO-Cert early 2004 started the procedure to obtain accreditation against ISO 65. ISO 65 is the most commonly accepted norm for third party certification and, at the same time, is a quality management system that provides FLO-Cert with a benchmark for its procedures and decision-taking. Under

ISO 65, all these procedures are audited annually to locate and resolve problems and inefficiencies. The separation of FLO-Cert from FLO e.V. is also conform with ISO standards, which require FLO-Cert to be independent when acting in its certification capacity. Under ISO 65, Fairtrade producer certification will become more transparent and objective. Regarding traders, there will be significant changes. Instead

of just registering traders, ISO 65 requires an operator inspection cycle similar to Producer Certification, against a new set of standards. All together, becoming ISO 65- accredited will help FLO-Cert to improve and simplify its producer and trader certification, so that by early 2005 it should comply with ISO 65’s mantra:

“Say what you do, do what you say”.

Division of Responsibilities

Responsibilities and Tasks of FLO International

- Setting international Fairtrade standards: FLO provides independent, transparent and competent standard setting. Fairtrade standards and policies are proposed to the FLO Board for approval by the Standards and Policy Committee, a body with a wide stakeholder representation.
- Facilitating and developing Fairtrade business: FLO’s Product Managers are in contact with producer organisations certified by FLO and traders registered to purchase and sell Fairtrade labelled products, in order to match supply and demand.
- Producer Support Network: liases with Fairtrade certified producers to assist in strengthening their organisations and improve their production and market access.
- Lobbying and Advocacy: promoting the case for trade justice in debates on trade and development.

Responsibilities and Tasks of FLO-Cert

- Certifying production according to the defined Fairtrade standards. To ensure that producers comply with the standards, FLO works with a network of independent inspectors that regularly visit all producer organisations and report back to FLO-Cert. Then the Certification Committee, comprised of stakeholders from producers, traders, national labelling organisations and external experts, takes the certification decisions. An Appeals Committee deals with appeals on these decisions.
- Trade Audit: To monitor traders’ and retailers’ compliance with Fairtrade conditions, a specially developed trade auditing system checks that every Fairtrade labelled product sold to a consumer has indeed been produced by a certified producer organisation which has been paid the Fairtrade price. The Trade Audit department within FLO-Cert deals with the control of all trade partners in the system.

All together, these activities contribute to realizing FLO’s vision that in 25 years, wherever and whenever applicable and possible, production and trade take place under Fairtrade conditions and, in all other situations, Fairtrade standards are a reference for efforts to improve the conditions of the world’s production and trade.

Results of the Producer Support Network

A strong network of producer support and liaison distinguishes FLO from other social certifiers. Last year, for example, FLO’s Producer Support Network helped to strengthen the capacity of producer organizations in Peru, facilitated a marketing workshop in Mexico, and supported the establishment and strengthening of Joint Bodies in Asia and Africa. Because of the growing number

of certified producer partners and the expansion to new countries, the number of liaisons was extended to six in 2003. FLO now counts with liaisons for Central America (located in El Salvador and Mexico), South America (in Ecuador), for the Caribbean (in Haiti), for Africa (in Tanzania), for Asia (in India), and for Asia (in Sri Lanka).

Guaranteeing Fairtrade Standards

Fairtrade: principles & practice ▶▶

06 07

FLO Forum in London as world leaders talk trade in Cancun

“It is of real importance that we define standards on social and environmental sustainability in trade in a professional manner”, explains Olaf Paulsen, head of the Standards & Policy Unit in FLO. “By providing transparent, competent standard setting in line with ISO-norms, FLO gives credibility to the Fairtrade Labels.” Stakeholder participation is also a significant element herein. In 2003, FLO further developed Generic Standards for small holders and for hired labour situations, and Product Specific Standards for coffee, fruits, sugar, nuts, rice, spices, etc.

Complementarity of Standards



FLO is not the only organisation to develop standards. Many other standard setting and certifying organisations exist, among which is EurepGap. Is EurepGap a competitor to FLO? Not at all. FLO is the standard setter and FLO-Cert the certifier for Fairtrade, focussing on social and economic aspects. EurepGap focuses on more technical agricultural aspects, like pest management. It promotes product trace-ability from producer to consumer and food safety standards, guaranteeing consumers high quality products from clearly identified producers. The standards are mainly developed for producers in the North, however, and are not always applicable in the South. For example, EurepGap prescribes the availability of a telephone at places where pesticides are stored. Yet many poor producers live in areas that lack the services of telephone -companies, making it nearly impossible to comply with EurepGap. Moreover, it is expensive to obtain EurepGap certification. Still, FLO acknowledges that EurepGap is an important step towards more direct and safer links between producers and consumers, and is seeking to facilitate the certification of Fairtrade-producers.

The ISEAL Alliance



How do you know whether a standard reflects stakeholder priorities? Does compliance with a standard result in real social and environmental improvements? The rapidly growing number of voluntary standards and labels emerging in the marketplace makes it difficult to differentiate credible standards from other claims. The ISEAL Alliance aims to address this issue by creating tools to improve how (voluntary) standards are set. FLO forms part of this alliance. Last year, the ISEAL Alliance developed a Code of Good Practice for Setting Social and Environmental Standards. The code aims to strengthen the credibility of social and environmental standards by normalizing their developed procedures and content. In addition, the code serves as a minimum bar against which to measure the credibility of (voluntary) standards. It is based on ISO and WTO procedures for standard setting, which maximizes its legitimacy.

▶▶ www.isealalliance.org

EUREP, ‘Euro Retailer Produce Working Group’, is a platform of European retailers in the agricultural food industry. GAP stands for ‘Good Agricultural Practice’, referring to minimum pro-

duction standards for good agricultural practice for horticultural products. Different kinds of agricultural products for human consumption can be certified with the EurepGap standard. EurepGap mainly focuses

on risk prevention, risk analysis, and sustainable agriculture by means of Integrated Pest Management (IPM) and Integrated Crop Management (ICM).



Cocoa producers from Paraguay, coffee producers from Tanzania, producers of honey, sugar, tea... all participated in the triennial FLO Forum. It was the second FLO Forum, held in London from 9-12 September 2003, to discuss and develop policies and strategies for Fairtrade labelling. This time, the Forum brought together representatives of Fairtrade certified producer organisations, trading organisations and licensees, national Fairtrade labelling initiatives, and other organisations involved in or supporting Fairtrade - altogether 300 stakeholders (including 110 producers) from 51 countries across the world.

Context not left aside

At special sessions during the Forum, the participants discussed what was happening simultaneously at the Fifth World Trade Organisation (WTO) Ministerial Conference in Cancun, Mexico. Together they formulated a statement that was sent to the Conference, stating that Fairtrade should be the template for all world trade.

“I’m worried that Cancun might result in more low prices and more suffering for farmers. The maximisation of trade, which caused coffee prices to drop, does not lead to poverty reduction. It leads to the opposite,” said John Kanjagaile, Export Manager, Kagera Co-operative Union, Tanzania. “Fairtrade can be an economic model; farmers’ organisations supplying to Fairtrade are showing that they can compete with some of the world’s biggest multinationals, in some of the world’s most cut-throat commodities, and survive, as well as investing in their communities.”

FLO’s Strategic Plan 2003-2008

Fairtrade should continue to show that with the right rules in place, trade can both facilitate development and be commercially viable. Strategies towards this aim are presented in FLO’s new Strategic Plan 2003-2008, which was discussed in depth during the Forum. Feedback on this plan and other policy proposals was gathered from all present and taken into consideration in the final drafting of the Strategic Plan. At the time of writing this annual report, the Strategic Plan is being implemented.

ISEAL stands for International Social and Environmental Accreditation and Labelling Alliance. It is a formal collaboration of international standard-setting and conformity assessment organizations

focussing on social and environmental issues. FLO is one of the founding members along with FSC, IFOAM, IOAS, MAC, MSC, SAI, and SAN.

“The future in their own hands”

At the request of the members of the Joint Body, Eranjan De Mel, manager of the Liddesdale Tea Estate in Sri Lanka, calls a meeting of the Joint Body in the tea factory’s staff club. Word is sent out to the plucking fields and the muster sheds, the plantation’s news channels. Male and female pluckers, arrive to attend the meeting. The women are dressed in colourful attire, their faces powdered, and sit together apart from the men, as is the normal procedure here. The meeting starts with reading the minutes of the previous meeting by the Estate Welfare Officer. It had been decided to draft a list of proposals for Fairtrade Premium use, after consulting the estate workers. Today they are to go through the list and decide which proposals to adopt. While items such as TV and radio sets are rejected, it approves proposals such as loans for schoolbooks or for a kerosene cooker, and a loan to pay a hospital bill. For these loans, the Joint Body fixes a flat interest rate of 5%.

Joint Body as trustee of the Premium

In the case of plantations, the Joint Body, in which both management of the plantation and workers participate, decides on what to do with the Fairtrade Premium. The workers are equal partners with the management, even with a certain predominance because it is their privilege to have the final say.

According to the Generic Fairtrade Standards, “The Fairtrade Premium is to be used for improvement of the socio-economic situation of the workers, their families and communities”. It is not an individual monetary benefit. The philosophy underlying the premium and the Joint Body concept is to empower the workers to decide democratically and act upon their

needs. They are autonomous actors of their own development. The Joint Body, as trustee of the premium, is accountable to the workers and their community in general. As many of its members are women, it directly promotes women’s participation in decision-making in community matters.

To some, this meeting and the decisions taken could seem simple and almost irrelevant. To these people who have been dependent on plantation management for all decisions related to their lives for the last 160 years however, it is enormously satisfactory to know that they are now in control themselves. They have a say in how to spend the Premium money that they receive from the Fairtrade system.

Impact on producers’ daily lives ▶▶

Premium use in practice



Building a new clinic

In practice, the premium is used for different socio-economic purposes: loans for individual/family needs, educational projects, communal infrastructure, health facilities and productive projects. It is always decided by the Joint Body and proposed by the workers themselves. Take Sumanawathi, 45 years old, a bread-winner and mother employed on the tea plantation. She explains: “I have to work hard to feed my family and buy medications for my husband. He has a lot of problems [asthma attacks] when climatic conditions change. I told the Joint Body representative from our Division that I wanted a kerosene oil cooker, which would be very helpful during the rainy season when all the firewood is wet. This proposal was accepted and now I have to pay back Rs. 87- a month for twen months.”

Need for more respect

As FLO Liaison Officer for Sri Lanka, Rangit Gunasekera has a good insight into the issues that matter to plantation workers and farmers. Rangit says of them: “The authorities do not address their problems properly, their cry for understanding goes unheeded. These people need more respect, especially as they contribute towards the economic prosperity of the country and help keep the tea industry alive, an industry

that once upon a time was the number one export product, but nowadays is in great difficulty because of the falling tea prices. Fairtrade has done what the plantations cannot afford to do due to heavy losses in sales. The plantations that have been registered under the scheme have found that the workers are happy and therefore it is easier to work with them. A happy worker is a good worker. A good worker is an asset to the plantation as well as to its owning company.” Sumanawathi says: “My feeling is that if we have more sales under the Fairtrade scheme we could have a more comfortable life.”

Rangit C. Gunasekera | Liaison Officer for South East Asia



Fairtrade brings optimism in the battle against poverty

“If the product that you buy carries a “Fairtrade” label, it is a means by which the poor producer sends his children to school”, says Tadesse Meskela, General Manager of Ethiopia’s Oromia Coffee Cooperative Union (OCFCU). He explains that last year Fairtrade certified producers in Ethiopia were paid between US\$100 and US\$ 1,000 more than had they sold all their coffee on conventional markets. Fairtrade certified farmers received US\$ 1.26 for a pound of coffee, against only US\$ 0.50 from ordinary buyers.

Opening export markets

Fairtrade has opened export markets for certified cooperatives. Where exports commodities are sold through auction systems, such organizations are now able to directly access export market outlets and make auctions more competitive. As a result, auctions yield more value, extending Fairtrade benefits to farmers outside the Fairtrade system. Kilimanjaro

Native Cooperative Union 1984 Ltd (KNCU) informs that from almost no exports, before their entry into Fairtrade, the cooperative now exports up to 60% of between 2,500 and 3,000 tones of members’ coffee harvest every year.

The participation of coops in the export business is a milestone in the coffee industry. It minimizes handling expenses and makes it possible for them to take an active role in the promotion of their product.

Socio-Economic benefits through the Fairtrade Premium

Elsewhere, in the southern highlands of Tanzania, Peter Rowland, Managing Director of Kibena Company Ltd explains: “The Kibena Tea Plantation uses the Fairtrade premium to support 25 schools and other socially responsible initiatives in 17 surrounding villages.”

There is more to the Fairtrade than immediately meets the eye. The Fairtrade premium is also used in other projects such as the management and production of commodities by organic methods and in environmental protection initiatives. ▶▶ This reduces spending on chemicals, improves prospects for good returns on investment and has a positive impact on the environment. Minimizing health hazards to humans and to other living creatures is another positive result.

The battle against poverty is still alive

Fairtrade has, beyond doubt, rekindled hope and revived real interest and optimism among poor producers that the battle against poverty is still alive and not without hope. Stakeholders only need to improve on the gains already made to ensure the sustainable development of the Fairtrade initiative.

Damien R. Salla | Coordinator of AFN

Fairtrade

bananas best labelled bananas best in European consumers test



After a year of extensive research, in January 2004, the Belgium institute Stock at Stake gave the highest scores for all examined criteria to Fairtrade labelled bananas. Commissioned by six European consumer-organisations united in Conseur, this research institute investigated bananas from Chiquita, Dole, Del Monte, Turbana, Fyffes, Noboa and Fairtrade "Max Havelaar". Social and environmental criteria were examined in particular, as well as transparency. The result... Fairtrade bananas are the best!

Independent control

The research reveals shortcomings at all conventional enterprises. It also indicates that some progress is being made, mainly regarding environmental criteria. Improvements on social aspects still lag behind however, not to mention independent control systems. It is in these last aspects that Fairtrade bananas earned highest scores. Fairtrade bananas also have the highest scores on environmental and transparency criteria (See also www.conseur.org).

Stock at Stake's independent research informs consumers who are interested in how a banana is produced that Fairtrade is, in fact, their best buy.

Quality

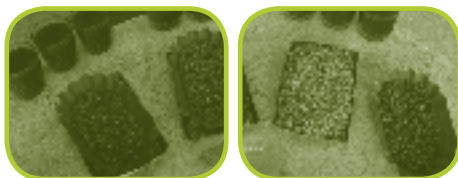
Coffee hailed Nicaraguan Fairtrade Coffee hailed

Sometimes modesty is a virtue. Not always... Sometimes you have the right to be proud of your work and your products. Our Nicaraguan coffee partners should certainly be, since several are among the winners of the prestigious coffee competition, the Cup of Excellence.

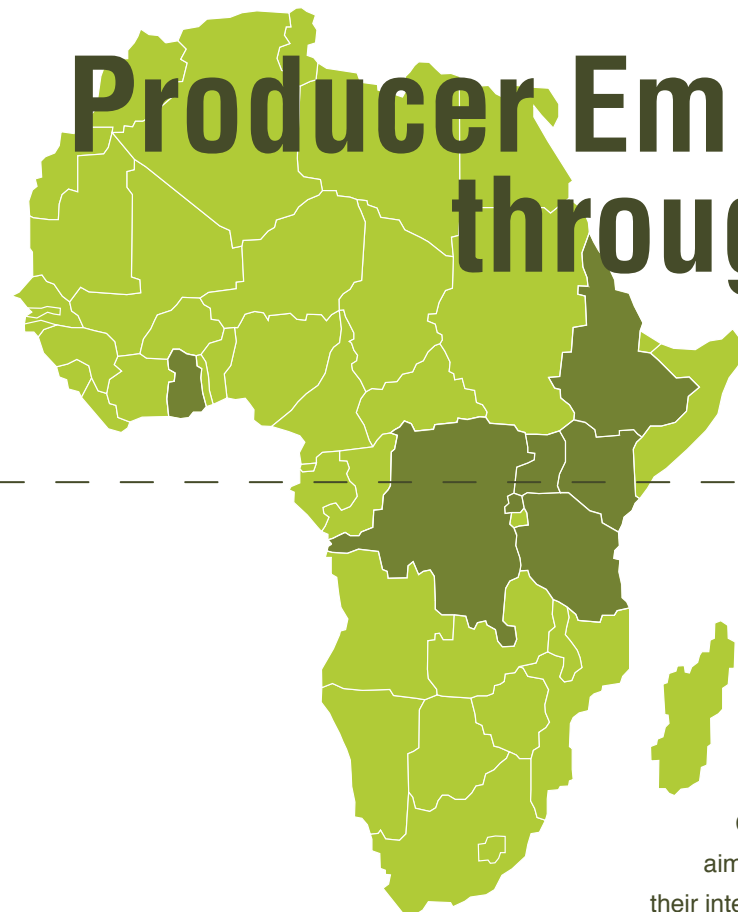
The "Cup of Excellence" is a competition that selects the very best coffee produced in a country for a particular year. The winning coffees are chosen by a select group of national and international cuppers and are cupped at least five times during the competition process. The winning coffees are awarded the prestigious Cup of Excellence® and sold to the highest bidder during an Internet auction (see www.cupofexcellence.com).

Outstanding quality

Coffees of this exemplary quality are very rare. These coffees are perfectly ripe, carefully picked, have well-developed body, a pleasant aroma and a lively sweetness that only extremely high quality specialty coffees contain. Fairtrade certified organizations produced the top six, and 14 of the 29 winning coffees. Among them are farmers of Prodecoop R.L., Soppexcca, Cecocafen and La Esperanza.



We congratulate them!



Producer Empowerment through Cooperation

After a decade of growth through participation in Fairtrade, producer organisations in the Democratic Republic of Congo, Ethiopia, Kenya, Tanzania and Uganda started working across their borders, and formed the East Africa Fairtrade Regional Coordinating Body (RCB). In the ensuing years the RCB followed its aims of producers learning from each other, and, of jointly representing their interests with the Fairtrade system. Four years on, with more producers in Rwanda and Ghana joining in 2003, the RCP evolved into the Africa Fairtrade Network AFN, which any producer certified by FLO can join.

The Regional Producers' Assembly (RPA) is the Network's highest authority meeting, where policy and governance of the network is being discussed. It is held every two years. There is also a Steering Committee to plan and oversee its efficient running, for which a coordinator, Damien Salla, is employed. Damien explains: "The Africa Fairtrade Network's creed is the empowerment of its members and it values highly their proactive participation. It exists to seek and coordinate support for initiatives that will enable better incomes to members by improving product quality and access to markets with favourable terms. In order to achieve this result, the AFN facilitates meetings and workshops, like marketing workshops and workshops to improve the quality of our products. These workshops facilitate the exchange of relevant experiences that helps us all to improve our practice. We also strive to engage with national, regional and other international bodies helping to improve market access and product quality."

The network is financed by the members, whose resources are very much limited. For those interested in supporting or joining the Network, send an email to: damianlinktz@hotmail.com

Damien Salla | Coordinator of AFN

Impact on
producers' daily lives >>

“Arise, be awake!”

Go and do something for yourself”

At the beginning of 2003 there wasn't a single Fairtrade certified producer in South Africa. This reality changed dramatically during the last year, and by early 2004 there were 22 Fairtrade certified producers in five of the nine South African provinces, producing fresh fruit varieties, dried fruit, tea and wine. By September 2004 there should be more than 30 Fairtrade certified producers in South Africa.

The development of Fairtrade in South Africa has been fast, but how will it continue? What will be the future of Fairtrade Labelling in South Africa? What do South Africans want to achieve through Fairtrade?



Farm ownership

These questions have to be asked in an environment of fast growth in a country which is still recovering from decades of apartheid oppression, and where the vast majority of arable land is still in the hands of white plantation owners. The answers to these questions came from South African Fairtrade partners during a consultation forum between representatives of FLO and local stakeholders in May 2004. At the forum, small farmers, farm workers, commercial farmers, traders, NGOs and representatives from the South African Government unanimously agreed that Fairtrade in South Africa should be exclusively linked to the principles of broad-based Black Economic Empowerment, which state that a minimum 25% share of an empowerment project must be legally held by the workers, and that these principles should be reflected in the way Fairtrade standards are applied in South Africa.

Under the black empowerment farm scheme, workers on plantations have the opportunity to form a workers' trust, funded by state grants, to set up a joint enterprise with the white-owned commercial farm on which they are employed. The trust can either establish a new farm on land purchased from the commercial farm, or become joint owners by purchasing a minimum 25% share in the farm, as was mentioned in the Forum. In both models the commercial farmers and also traders provide financial, technical, logistical, distribution, and marketing support. These initiatives contribute to the South African Government's land reform programme, which aims to increase black ownership of agricultural land to 30% by 2015.

VUKI Farm 100% in the hands of workers

But how are we to understand all of these proposed changes? What reality does it try to reflect? One way to find out is to visit a Fairtrade certified producer in South Africa, such as the VUKI farm. VUKI is a Sesotho word meaning “Arise, be awake! Go and do something for yourself” and is the name of the first FLO certified plantation in Africa where workers own 100% of the land and the commercial farming operation of the plantation. On this fresh fruit plantation, an example is being set which is being watched with great interest throughout Southern Africa.

The combination of Fairtrade, true ownership in the hands of workers, and empowerment through capacity building and training, is increasingly being seen as a viable contribution to sustainable development and black empowerment in South Africa.

Fairtrade produce as avenue for Black Empowerment

Produce from South Africa, having played an important part in the consumer boycott that helped bring down the apartheid regime, can now, through support of the Fairtrade Mark, provide an avenue for black empowerment. The post-apartheid South African Government specifically looks to trade with the EU to help stimulate development and tackle poverty. Fairtrade labelling of produce from empowerment farms will help ensure the benefits of trade go to black farm workers and shareholders.

Pieter Cowan-Louw | Certification Coordinator FLO Cert



Launch of Fairtrade Fresh Fruit from South Africa

In July 2003, the first Fairtrade South African oranges went on sale in the United Kingdom. The fruit is produced at Sun Orange Farms in the Sunday's River Valley in South Africa's Eastern Cape. These farms are part of the empowerment projects in South Africa, where workers become co-owners of fruit farms. By buying these oranges, consumers contribute to the empowerment of farm workers and enable them to become fuller participants in commercial operations. Apples, mangoes, avocados, and other fresh fruit produced under Fairtrade conditions by South African producers soon followed the same path. To give an impression of this fast growing market with still big market potentials, some market data:

Citrus fruits:



- Fairtrade labelled oranges and lemons available, from 2003, followed by limes and soft citrus in 2004.
- Stakeholders involved in citrus fruit: seven certified producers, of which six in South Africa; nine traders.
- Volumes in 2003: 350 MT (Metric Tons) of oranges sold in two countries; 8 MT of lemons sold in one country.

Deciduous fruit:



- Available from 2003: apples, grapes, pears and plums.
- 12 Certified deciduous fruit producers from South Africa; nine traders.
- Volumes in 2003: 12.5 MT of apples and 180 MT of grapes sold in the UK.

Exotic fruit:



- Avocados: available from 2004, one certified producer in South Africa; and one active trader.
- Mangoes: available from 2002, with 12 certified producers from nine different producing countries offering year-round availability to consumers; with 10 active traders. Volumes in 2003: 160 MT sold in six countries, a 300% increase from 2002.

Sub-tropical fruit:



- Bananas: available from 1997: Fairtrade Bananas, by 17 certified producers from seven countries; 24 active traders; sales in 15 countries; 30% increase in sales per year
- Pineapples: available from 2002, 8 certified producers from three countries; five traders; sold in six countries. Volumes in 2003: 1600 MT.

Market trends:



- Strong market interest for organic Fairtrade fruit
- High interest in new Fairtrade fruit (with UK as pioneer market)
- Future high market opportunity in the USA.

Impact on producers' daily lives >>

A village returns to life

Asociación Chajulense Va'l Vàq Quyol in Guatemala

"Max Havelaar planted a seed that has taken root." This sentence in a letter from the Asociación Chajulense in 1992 indicates the organisation's appreciation for the developments that followed the first contacts with Max Havelaar. A 2002 inspection report concludes: "Since the association received the Fairtrade and organic certification, the lives of the farmers in Chajul have very much improved socially, financially and politically."

Founded out of desperation

It all started in 1988 out of absolute desperation. The coffee producing Quiché region in the north of Guatemala was confronted by the devastating effects of civil war. The area was isolated, without work, without economic activity. Lacking means of transport, the coffee farmers were unable to process their coffee themselves, for which it had to be transported to the capital. The farmers were left to the mercy of the few who did dare to access the region to collect the coffee, but who charged a very high risk premium, translating into an extremely low price for the farmers. To make any kind of progress, the dependence on these buyers was the first problem that had to be tackled.

A group of coffee farmers put their heads

together to find a solution. This led to the formation of the Asociación Chajulense Va'l Vàq Quyol in 1988.

Access to the export market

In 1989, contact was made with Max Havelaar and by the end of that year the first container of coffee was shipped to the Netherlands on Fairtrade terms. This gave the association access to the export market for the first time. Max Havelaar introduced the association to EDCS (now Oikocredit) that provided loans for warehouses, drying floors, and means of transport, reducing the Association's dependence on third parties.

Extra income

With the growth of Fairtrade sales, about 70% of the total production of 400 to 500 tons is sold on Fairtrade terms nowadays. Since 1995, Fairtrade has generated over US\$ 1.5 millions in extra income for the people in Chajul. It means a 70% higher income for the farmers and it allows the association to pay back its loans and to start new projects that enable the coffee initiative to develop into a project that benefits the entire region (see box).

Jos Harmsen | Stichting Max Havelaar, NL

Commitment of consumers ▶▶



Regional Impact

- Communications ▶
 - Establishment of a radio station that reaches the illiterate people throughout the region
- Health Care ▶
 - Creation of a health clinic and hiring of health workers
- Education ▶
 - Creation of an educational centre offering agricultural courses, literacy training etc
 - Grants for professional education for youth
- Diversification ▶
 - Organic certification (since 1993)
 - Own brand for local market
 - Cattle project
- Other projects ▶
 - Shop
 - Craftsmanship project (furniture)
 - Maize mill
 - Sewing workplace
 - Credit fund for individual projects

On its 15th anniversary in November 2003, the Dutch Max Havelaar Foundation published a report on 15 years of coffee with the Max Havelaar label, in which cases are presented on the developmental impact of Fairtrade for coffee farmers. For a copy of the report, contact Max Havelaar Netherlands at maxhavelaar@maxhavelaar.nl

2 new National Initiatives established



It was the first country to supply the Fairtrade market, and now **Mexico** is the first producing country to set up a National Initiative: we proudly present Comercio Justo Mexico AC. Mexico, is again playing a pioneering role.

Comercio Justo Mexico was originally founded in 1999, when the need was recognised to unify the multiple isolated efforts of producer organizations and NGOs to construct sustainable and fairer trade relations, both at the national and international level. Comercio Justo Mexico AC is a Mexican association that, like the other National Initiatives, works to establish fair marketing relations within the Fairtrade scheme, offering better conditions for producers. Comercio Justo Mexico AC tries to establish sustainable relationships between producers and consumers and at the same time is working on lobbying and raising awareness to increase support for the Fairtrade system.



Southern Hemisphere

Besides the expansion to a producing country, we can welcome another National Initiative from the southern hemisphere: The Fair Trade Association of **Australia** and **New Zealand** is a membership-based organization of 29 members ranging from Oxfam to a number of alternative trade organizations, large and small companies, research institutions, trade associations, and individuals. In the period of review, there were four FLO registered coffee importers and three tea importers in Australia and New Zealand. Furthermore, there are 14 licensees in the region. In terms of importers, the two biggest coffee importers in Australia are currently registered, as is one of the biggest in New Zealand. The East Timorese Fairtrade and Organic coffee (CCT) is currently the best selling Fairtrade certified product on the Australian market and it is expected that this will continue to grow.

National Initiatives

celebrate anniversaries with STILL INCREASING SALES

On Monday 1 March, the Fairtrade Foundation announced that sales of products carrying the Fairtrade Mark were estimated to be running at an annual rate of over £100 million in the UK. The announcement coincided with the 10th Birthday of the Fairtrade Mark in the UK.

Transfair Austria also celebrated its 10th Birthday and both organisations have reasons to celebrate; during 2003, sales increased by 61% to 24,212 MT in the UK and by 8% to 2,537 MT in Austria.

Fairtrade Fortnight

The Fairtrade Foundation took the opportunity of Fairtrade Fortnight (1-14 March 2004) to celebrate the success. The Fortnight, held annually, is mainly intended to raise awareness of the growing range of Fairtrade products and of the benefits of Fairtrade for producers. "Fairtrade, backed by a vibrant social movement of people throughout the country, is now bedding into

the mainstream, giving thousands of producers in developing countries the chance to build a better future and to compete in the all too cut-throat global markets," says Harriet Lamb, Executive Director of the Fairtrade Foundation. "The rapidly rising sales prove that consumers do care and are prepared to pay the true price for products they know they can trust, guaranteed by the Fairtrade Mark."

Fairtrade Fortnight celebrations kicked off with a breakfast for 250 stakeholders at the London restaurant, Mezzo. Some 7,500 events took place around the UK in the following 14 days, involving supermarkets, coffee chains, churches, schools, universities and a wide range of business and community groups. To coincide with Fairtrade Fortnight, both the Salvation Army, the UK's largest care provider after the government, and the Youth Hostel Association (YHA) announced that they were switching to Fairtrade tea and coffee.

State of affairs: the products, the people, the benefits

With overall increases in sales volumes of 41.94%, on average, up to a total of 83,297 MT, 2003 was a successful year for Fairtrade certified products. The product with the most significant increase was cocoa with a spectacular 110% growth to total sales of 3,473 MT, and sugar increasing 79% to 1,164 MT. Some other products showed a more moderate increase like honey, up 12% to 1,164 MT. Relatively new products like juices showed promising increases of 36%, with good expectations for new opportunities through opening new markets.

Apart from the prices paid for the products, producer organizations also receive the Fairtrade Premium. For example, the premium for coffee is US\$ 0.05 per lb sold. While for tea it is € 1.00 per kg (leaves) or € 0.50 (CTC/Fanning/dust). For rice it is established at € 15.00 /MT and € 20.00 /MT for Basmati. This premium can lead to substantial amounts of money to be spent on socio-economic projects, as presented on previous pages.

Taken the Fairtrade Price Benefit and Premium together, we see substantial Fairtrade Benefits for producer organizations. The 13 Fairtrade certified cacao producers organisations together received a total Fairtrade benefit of US\$ 386,021 (US\$ 72,812 of Fairtrade Price benefit and US\$ 313,209 of Fairtrade Premium) and the sugar producers together had a Fairtrade benefit of US\$ 189,743 (Price Benefit of US\$ 120,816 and a Premium of US\$ 68,927).

Commitment
of consumers ▶▶



16 17

The producers Behind the products are many people. First of all, the producers. Last year the number of certified producer organizations increased to 422, from 49 countries. Almost 50% are coffee producers, but they also include 63 tea producers' organizations, 24 honey, 17 juice, 13 cocoa and a further 103 producers' organizations of other products are participating and benefiting from the Fairtrade system.

The traders 464 registered traders deal with Fairtrade certified products: 154 in coffee, 98 in tea, 30 in cocoa, 35 in sugar, 22 in honey, 20 in cereals, along with other traders engaged with products like wine, flowers, rice, and footballs from Pakistan.

The consumers Finally, we should not forget the consumers. They are the ones that in the end decide to buy the products and, by that, support producer development. Some products, like coffee, are sold in all countries where National Initiatives are present. Other products are sold to a smaller extent, like footballs and rice that are only sold in four countries. At the moment, the United Kingdom and Switzerland are the countries with the highest Fairtrade sales of respectively 24,212 MT in the UK (an increase of 61% on 2002) and 23,336 MT in Switzerland (a growth of 26%). Among the fast growing countries are Ireland (+701%) and Italy (+405%).

Monetary benefits Including dependents, almost a million people from 49 developing countries benefit from the Fairtrade system. In the first place they benefit from the fair prices paid for their products, with minimum prices set in case the world market prices go down so much that people cannot make a living anymore. This benefit really can make a difference. For example coffee producers earned about US\$ 30 million above the mainstream market prices.

Development of new products

Since the approval of its strategic plan 2003-2008, FLO has been working hard on one of the Plan's quantitative objectives: Extension of labelled Fairtrade from a dozen mostly food product groups in 2003, to over 30 product groups, also textiles and other non-food and handcraft and manufactured products, in 2008.

Research on potential new products During the first half of 2004, FLO researched potential interest in new

products in different markets. At present, standards for 50 product lines within 12 product groups exist, ranging from food products such as coffee, cocoa, juices, to non-food products such as sport balls, flowers and cotton. The research identified particular interest in alcoholic beverages, spices, seafood and cereals. From June 2004 onwards priority will be given to Standards development for cinnamon, cloves, cardamom, pepper. At a later stage other products will follow.

Launch of new Products

In food products, in 2003-4, the range of Fairtrade labelled products on offer to consumers was extended, including mangos, avocados, grapes, lemons, oranges, and rooibos tea from South Africa, as well as jams, marmalades, chutneys and a number of biscuit and cake products. In early 2004, in non-food, Fairtrade labelled sports balls hit the market in Germany and Fairtrade labelled roses went on sale in the UK.



French Traders **changing to Fairtrade**

10 years after the introduction of the Fairtrade mark in France (Max Havelaar), more and more Fairtrade products have made their way onto the shelves of the French stores.



Fairtrade products sold in more than 10,000 stores

Like in other countries, coffee was the first Fairtrade product launched on the French market. In 1993 Lobodis was the first roaster to sell Max Havelaar coffee on the French market. Shortly afterwards, their example was followed by Malongo. However, the volumes sold were still modest. It was only in 1998, when Monoprix and Auchan committed themselves to promoting Fairtrade, that labelled products started to find their way in substantial volumes onto supermarket. Since then, 95% of the hypermarkets and 58% of the supermarkets sell at least one Fairtrade product. Now, more than 300 products, marketed by more than 60 licensees are sold with the Max Havelaar label in more than 10.000 points of sale.

As the number of licensees increases, it is important to remark that the number of Fairtrade labelled products they sell also increases. Whether processor or retailer, the licensees enable the development of the Fairtrade market in France. Let's have a look at two types of practices that reflect the evolution of the Fairtrade market in France.

Expansion after an initial focus on one product

Some processors have broadened the scope of their Fairtrade activities from coffee roasting to other products. In this manner, Lobodis started commercialising Fairtrade tea in 2001, cocoa powder and chocolate drinks in 2002, and sugar lumps in 2003. In 2002, Malongo also started selling Fairtrade tea under the Téching brand and will launch sugar sticks in 2004.

What motivated these companies to broaden their Fairtrade product range? For Olivier Bernadas, director of Lobodis, they were encouraged by activist organizations that wanted them to help other producer organisations profit from their sales activities as well. Jean-Pierre Blanc, director of Malongo, was asked by the retailers to propose a wider range of Fairtrade products.

Multi-product licensees

At the same time, some licensees demonstrate the viability of offering a wider range of products. Alter Eco was the first multi-product licensee to sell 13 Fairtrade food-products (2 teas, 5 chocolate bars, 2 kinds of rice, sugar lumps, coffee, orange juice and cocoa powder). Alter Eco has considerably broadened their range (from 23 products in 2003 to 36 in 2004) and has expanded into both retail and catering.

"Offering a wide range of products enables us to reach our main objective. We want a maximum number of producers to benefit from Fairtrade. Furthermore it demonstrates that Fairtrade is a possible alternative for many food-products, and not only for coffee. It also satisfies consumers expectations, who wish to see Fairtrade principles applied to different products." says Alexis Krycève.

Echange Equitable, a licensee of Max Havelaar since 2003, also offers a wide range of Fairtrade products under its brand 'Ethiquable': their approach is based on innovating new products using Fairtrade ingredients and thus sweets and juice cocktails find their place next to more traditional products such as coffee, tea and sugar. For its founders,

expanding the range of Fairtrade products means increasing market access for the producers. However, Equitable also wants to be a "link" brand that ensures an interface between producers and consumers. "Consumers can thus discover the diversity of Fairtrade products through a specialised brand that ensures product quality and producer support" says Christophe Eberhart.

Challenges

For all involved, the challenge is to continue to strive for a bigger Fairtrade market share thus permitting an increasing number of small producers in the South to sell their harvests at fair prices. The challenge is taken up by the licensees mentioned above – as well as others specialised in one product - who continuously act in favour of the producers and get positive feed-back from consumers and retailers in France.

Catherine Mounier, with input from: Jérôme Steinmann | Lobodis; Diane Rombouts | Malongo; Alexis Krycève | Alter Eco; Christophe Eberhart | Echange Equitable



100%

Fairtrade Bananas
in Swiss Supermarkets

Many retailers are now choosing to include Fairtrade bananas in their range. Reasons for deciding to do so include helping producers improve their living conditions, pleasing their customers with socially responsible products, maintaining their profit margins as well as the high quality that Fairtrade products provide. An outstanding example is the Coop retail chain in Switzerland, which, since February 2004, decided to sell only Fairtrade bananas (of which 15% are organic). Coop Switzerland has been a licensee of the Max Havelaar Foundation since 1992 and has offered Fairtrade bananas since 1997. One of the world's biggest suppliers of Fairtrade products, Coop, plays a pioneering role in saying goodbye to conventional bananas and welcoming Fairtrade bananas on to the shelves of all its outlets.

Bananas are one of the most widely sold fruits. Swiss customers consume approximately 10kg of bananas per person, per year. Coop Switzerland sells over 20 million Kg bananas every year. The move to sell solely Fairtrade bananas means a quantity and quality leap for the banana producers. More and more producers benefit from the Fairtrade concept and the better prices it provides. And, in addition, thanks to the premium, they receive about 2 million dollars extra to spend in socio-economic development projects.

Other countries also see their banana sales increasing. An example is Italy where the banana sales increased from 81.7 MT in 2002 to 2,938.5 MT in 2003. The United Kingdom saw an increase from 11,425.8 MT to 18,176.8 MT and the banana sales in The Netherlands

increased from 1,996.4 MT to 2,610.3 MT. Both Denmark and Norway almost doubled their sales and show good prospects for the coming year.

Launches of Fairtrade Bananas

In 2003, USA, Japan, Canada had not yet begun selling Fairtrade bananas. At the beginning of 2004 this changed, when TransFair USA launched its Fairtrade Certified Bananas on the North American market. Knowing that US consumers eat approximately 3.5 million MT of bananas per year (1.5 bananas per week), with a market value of \$1.5 billion, there is an enormous market potential. Transfair Germany re-launched Fairtrade labelled bananas in May 2004.

Traders taking responsibility ►►

18 19

2003 showed a 30 % annual growth in the sales of Fairtrade bananas. 17 Certified producers (in Windward Islands, the Dominican Republic, Colombia, Peru, Ecuador, Costa Rica, and Ghana) grow Fairtrade bananas. 24 Traders are involved in this market chain, leading to sales in 15 countries. In Europe, Fairtrade certified bananas have gained as much as 50% market share in Switzerland and 4% in the UK.

Pressure on USA to reform Cotton policies



For many West African countries, cotton production accounts for 5 to 10% of the Gross Domestic Product and dominates their exports, accounting for around 30% of total export earnings and over 60% of earnings from agricultural exports. Decreases in cotton prices, as happened last year, hit these countries severely. Take Benin, a small country of about 6 million inhabitants: 2 million people are dependent on cotton production for their living. In contrast, the US subsidizes with US\$3.2 billion a relatively small group of 25,000 cotton farmers. If the USA cut subsidies for North American cotton farmers, the world market price would rise considerably, benefiting cotton farmers in so-called developing countries.

Brazil claims USA

The subsidy regimes of countries like the USA depress cotton prices and harm cotton farmers around the world. In June 2004 at the WTO round Brazil, supported by other cotton-growing countries from West Africa, successfully put forward a claim to the WTO, that USA cotton subsidies violate global trade rules. Brazil argued that the USA, by paying subsidies, creates a cotton surplus that is dumped abroad, and through this system destroys livelihoods of farmers in developing countries. The WTO accepted the claim and deemed many of the subsidies paid to just 25,000 US cotton farmers to be illegal and distorting world trade. The case challenged the US use of export credits and other hidden subsidies to dodge promises it had made to reduce dumping. This claim hopefully creates pressure on the USA and other so-called developed countries to reform their export programs.

Brazil's success has been because of a clear legal challenge. Under the 'Peace Clause', inserted into the Agreement on Agriculture in 1995 (which outlawed action against illegal practice by the USA and EU); rich countries previously enjoyed nine years of immunity. However, this protection has now expired and many other aggressive agricultural subsidies could be deemed illegal.

Pressure for reforms

Although the USA has lost its cotton subsidy case, it shows no intention of implementing the case's rulings so far. For communities in West Africa, where livelihoods are linked to cotton, the urgency for speedy reforms is Paramount. Pressure now needs to be placed on the USA to act and start reforms immediately. Following the logic, the EU and China need to begin reviewing their subsidy regimes as well.

Fairtrade is about changing unjust trade relations into more equitable terms of worldwide trade, without subsidies for the world's richest producers and enormous trade barriers for the world's poorest. Direct trading relationships between traders and producer organizations, in the Fairtrade system, is one tool. Besides that direct relationship and benefit, different stakeholders within the Fairtrade system also have to promote trade justice in debates on trade and development. Altogether, pressure should be increased to make the USA, EU and others really start reforming their trade policies that currently hamper millions of people in making a decent living.

Source: Economist.com, BBC News, Guardian online, ISonline

Fair Trade: High on the political agenda



"I am convinced that Fairtrade can only go into one direction: upwards. People increasingly understand the injustice of this world and want to do something against it." With these words Rubens Ricupero, Secretary General of the United Nations Conference on Trade and Development", stressed his commitment to Fairtrade when he addressed the Fairtrade Reception in São Paulo, Brazil, on June 17th 2004.

Fairtrade is high on the political agenda: Two European Commissioners spoke at a Fair Trade conference in the European Parliament in March 2004 and several ministers expressed their support at the Fairtrade events in Cancún, Mexico, on the occasion of the 5th Ministerial Conference of the WTO.

Fairtrade is being recognized as a tool for development, to raise awareness about unjust trade relations, and for its positive spill-over effects into traditional business. Many government programmes support Fairtrade, such as the German Fair Feels Good campaign or other projects that receive funding from official sources.

Challenges

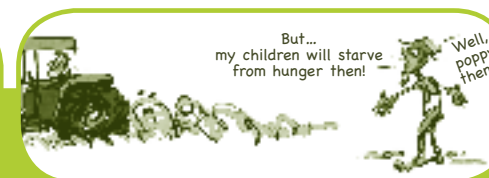
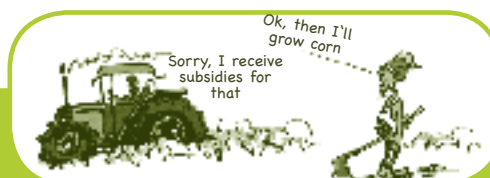
Much more must be done however. More and better projects must be developed to raise awareness and to educate consumers about Fairtrade. Governments and international institutions must provide access to financing and support the capacity building programmes for Fairtrade producers in the south. They should integrate Fairtrade in their procurement policies and Fairtrade principles into their development strategies. Fairtrade needs to be recognized as defined by FINE, the informal collaboration between all four international fair trade associations: FLO (Fairtrade Labelling Organisations International), IFAT (International Fair Trade Association), NEWS! (Network of European Worldshops) and EFTA (European Fair Trade Association).

And, even more important, we need a drastic change in the policy framework: So far, the effects of trade policies on small and marginalized producers are hardly taken into account. It is widely acknowledged that small producers are the key to employment and often the engine of growth and development. However, their interests and concerns are not being considered in decision-making. It is also well-known that the agricultural policies of the European Union and the United States have disastrous effects on poor countries. Fairtrade will only fulfil its mission if it joins forces with other civil society organisations and campaign groups to improve the overall trade policy framework, which affects millions of poor and marginalized people in the south.

Anja Osterhaus | Fair Trade Advocacy Office

► Fair Trade Advocacy Office osterhaus@fairtrade-advocacy.org • www.fairtrade-advocacy.org

Fairtrade on the political agenda ►►



Jos van Collignon

The group of countries associated with the cotton initiative ("Sectoral Initiative in Favour of Cotton"), created in May 2003, comprises a number of West and Central African countries where cotton plays an essential role in their economic development. Over 10 million people in the region depend directly

on cotton production and several million more are indirectly affected by the problems now encountered in this sector. These countries call for phasing out of subsidies and the need for compensation by the subsidizing WTO Members as long as these subsidies are still in place. (Source: www.fao.org)

Fairtrade is a trading partnership based on dialogue, transparency and respect, which 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.

Fairtrade organisations (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.

Notes & Figures

Summarized Accounts FLO International

Statement of Financial Activities for the year ending December 31st, 2003.

All amounts in € (Euro):

	2003	2002
Income		
Membership Contributions	1,105,673.78	1,040,646.05
External grants for specific projects	1,369,701.48	637,885.01
Interest earnings & other income	1,300.00	25,084.27
	2,476,675.26	1,703,615.33
Expenses		
International Coordination	290,327.46	24,749.32
Head Office Operations	407,951.01	321,794.88
Standard Setting & Policy Development	120,823.14	61,245.42
New Product Development	56,276.34	114,660.59
Business Facilitation	256,915.53	256,388.14
Producer Support & Regional Liaison	274,676.96	124,061.51
Certification & Trade Auditing	676,298.18	501,894.17
SASA Project	376,827.84	293,190.47
	2,460,096.46	1,697,984.50
Balance carried forward	16,578.80	5,630.83

Auditor's Statement

We confirm that we have examined the full financial accounts of FLO International e.V. and have carried out the procedures we consider necessary to ascertain whether the summarized financial accounts are consistent with the full financial accounts from which they have been prepared. The accounts have been audited by Dipl.-Kfm. Martin Rosner, An der Kemperwiese 11, 51069 Köln, Germany and received an unqualified opinion. However, these summarized accounts may not contain sufficient information to allow for a full understanding of the financial affairs. They are extracted from the annual accounts and these, including the auditor's report are available from the Financial Department of FLO International e.V.

Signed by Dipl.-Kfm. Martin Rosner, Registered Auditor, Cologne, 31 July 2004

Balance Sheet FLO International

as at 31st December 2003 in € (Euro)

	2003	2002		2003	2002
Assets			Equity capital	180,349.88	127,847.07
Fixed assets	75,034.95	27,150.51	Seed capital	37,349.88	20,771.07
Tangible assets	29,754.00	26,958.01	Deferred Income	143,000.00	107,076.00
Intangible assets	16,756.00	192.50	Liabilities	807,718.76	583,942.84
Affiliated Companies	28,524.95		Deferred expenses	333,668.74	364,649.68
Current assets	913,033.69	684,639.41	Creditors	474,050.02	219,293.16
Debtors	475,108.80	331,166.49	TOTAL	988,068.64	711,789.92
Cash at bank in hand	433,902.06	350,310.12			
Accruals	4,022.83	3,162.80			
TOTAL	988,068.64	711,789.92			

Thanks to... Merci à Graciàs a...

All the work done in the past could not have been carried out without our financial supporters. We are very grateful to:

- HIVOS (Humanistic Institute for Development Cooperation), The Hague/The Netherlands • NOVIB, The Hague/The Netherlands • European Commission, DG Employment and Social Affairs, Brussels/Belgium • GTZ (German Technical Cooperation), Eschborn/Germany • FES (Friedrich Ebert Foundation), Sri Lanka office, Colombo/Sri Lanka • SIDA (Swedish International Development Cooperation Agency), Stockholm/Sweden • DFID (Department For International Development), London/United Kingdom • Comic Relief, United Kingdom • German Ministry for Economic Cooperation and Development, Bonn/Germany • EED (Evangelischer Entwicklungsdienst), Bonn/Germany • NCA (Norwegian Church Aid), Oslo/Norway • ICCO (Interchurch Organisation voor Development Co-operation), Zeist/ The Netherlands • APSO (Development Cooperation Ireland), Dublin/Ireland

FLO also wants to thank the inspectors and volunteers all over the world for their highly valued contributions.

Finally, but not least, FLO wants to thank all the interns who assisted the FLO staff in 2003:

- Evi Mateboer, Eva Ranehill, Joel Samuelsson, Stéphane Senan, Bruno Hotelier, Pieter Cowan-Louw, Katell Ségalen, Tatiana Mateluna, Joanna Huband, Sofie Everlsson, Nicole Petz, Rebekka Belk, Virginie Amat, Roger Björkbacka, Ilonka Waterdrinken, Titia Sjenitzer

FLO's Board of Directors / June 2004

- Ms. Paola Ghillani, Max Havelaar Switzerland (president till May 2004) • Mr. Simon Pare, Max Havelaar France (president from May 2004 onwards) • Ms. Harriet Lamb, Fairtrade Foundation UK • Mr. Gunnar Ødegaard, Max Havelaar Norway • Mr. Paul Rice, Transfair USA • Mr. Stephan Peijnenburg, Max Havelaar Netherlands • Mr. Victor Perezgrovas, General Manager of Union Majomut, Mexico • Mr. Raymond Kimaro, Kilimanjaro Native Cooperative Union, (KNCU), Tanzania • Mr. Geethal Peiris, CEO of Kotagala Tea Plantation, Sri Lanka • Mr. Gilmar Laforga, Coagrosol, Brazil • Mr. Marc Bontemps, General Manager of Oxfam Wereldwinkels Belgium • Mr. Rick Peyser, Director Green Mountains, Canada

FLO thanks the people that participated in the Board till May 2004:

- Mr. Norbert Douqué, Van Weely b.v., Netherlands • Mr. Albert Tucker, TWIN Trading, UK • Mr. Raúl del Aguila, COCLA, (Central de Cooperativas Agrarias Cafetaleras), Peru • Mr. Sheran Ratwatte, Kotagala Plantations, Kelliewatte Estate, Sri Lanka

Founders of FLO

FLO was founded in 1997 by the 14 National Initiatives with the aim to work together on (1) defining international Fairtrade Standards, (2) certifying and auditing producer organisations and traders involved in labelled Fairtrade and (3) providing support to producer organisations that need external support.

Current FLO staff / June 2004

- Director: Luuk Laurens Zonneveld
- FLO e.V.: Olaf Paulsen, Dorothee Jung, Emilie Dardaine, Tatiana Mateluna Estay, Simen Sandberg, Katell Ségalen, Christelle Ayglon, Conrad Gutekunst, Monika Berresheim-Kleinke, Cornelia Halm, Frank Vierheilig, Matthias Kuhlmann, Karimah Hudda, Marije Rhebergen, Alexa Steudle, Joanna Huband, Evi Mateboer, Guillermo Denaux Jr., Timo Winkelkemper, Nicole Petz • FLO-Cert GmbH: Rüdiger Meyer, Ose Nielsen, Veronica Rubio, Pieter Cowan-Louw, Maïke Hoepken, John Young, Wendy Yegon, Luis Felipe Carrera Carazas, Eduardo Abraços Bluhm, Rocio Sanz, Virginie Amat, Britta Koleczek, Laura Teuerkauf, Ada Garcia, Vivien Alan, Ana Margarita Cuevas, Jochen Krebühl
- Liaison Officers: Guillermo Denaux, Wilma Bergman, Mr Raja Menon, Mr Rangit Gunasekera, Chira Schouten, Mr Juan Rodriguez, Maria Trinidad

- Photos by: Scott Chernis, Howard Davies, Hartmut Fiebig, Fairtrade Foundation UK, Kaare Viemose, Max Havelaar Switzerland, Max Havelaar Netherlands, Transfair Germany
- Edited by: Dave Goodyear, Nynke van der Burg and Marije Rhebergen (Final editing)
- Design by: Stephanie Podobinski, Cologne, Germany
- Printed by: Prima Print, Cologne, Germany



Addresses of FLO and National Initiatives

For addresses, telephone numbers and other information, please consult the websites:

Transfair Austria

office@fairtrade.at • www.fairtrade.at

Fair Trade Association of Australia and New Zealand

fttrade@coombs.anu.edu.au • www.fta.org.au • www.fta.org.nz

Max Havelaar Belgium

Info@maxhavelaar.be • www.maxhavelaar.be

Transfair Canada

fairtrade@transfair.ca • www.transfair.ca

Max Havelaar Denmark

info@maxhavelaar.dk • www.maxhavelaar.dk

Reilun kaupan edistämisyhdistys ry, Finland

Reilukauppa@reilukauppa.fi • www.reilukauppa.fi

Max Havelaar France

Info@maxhavelaarfrance.org • www.maxhavelaarfrance.org

TransFair Germany

info@transfair.org • www.transfair.org

Fair Trade Mark Ireland

Info@fair-mark.org • www.fair-mark.org

Fairtrade-TransFair Italy

info@transfair.it • www.equo.it

Fairtrade Label Japan

info@fairtrade-jp.org • www.fairtrade-jp.org

TransFair Minka Luxemburg

info@transfair.lu • www.transfair.lu

Comercio Justo México, A.C.

comjustomex@laneta.apc.org • www.comerciojusto.com.mx

Stichting Max Havelaar, Netherlands

maxhavelaar@maxhavelaar.nl • www.maxhavelaar.nl

Max Havelaar Norge

maxhavelaar@maxhavelaar.no • www.maxhavelaar.no

Rättvisemärkt; Sweden

info@rattvisemarkt.se • www.rattvisemarkt.se

Max Havelaar Stiftung Schweiz

Postmaster@maxhavelaar.ch • www.maxhavelaar.ch

Fairtrade Foundation; UK

mail@fairtrade.org.uk • www.fairtrade.org.uk

TransFair USA

Info@transfairusa.org • FLO@transfairusa.org
www.transfairusa.org

FLO International e.V.

Kaiser-Friedrich-Str. 13 • D - 53113 BONN

T +49.228.94 92 30 • F +49.228.24 21 713 • info@fairtrade.net

FLO-Cert GmbH

Goerrestrasse 30 • D - 53113 BONN

T +49.228.24 930 • F +49.228.24 93 120

Producer applications: certification@fairtrade.net • Flow of goods reports: tradeaudit@fairtrade.net • Trader applications: registration@fairtrade.net

Branch Office: FLO International para América Central

p/a Ucraprobex • Boulevard Merliot, Edificio Ucraprobex, Polígono C • Ciudad Merliot, San Salvador, El Salvador, C.A.

T +503.278 84 89 • F +503.278 13 11 • flo.guillermo@telesal.net

**GUARANTEES
A BETTER
DEAL FOR
PRODUCERS**



FLO International e.V.

Kaiser-Friedrich-Straße 13 | D - 53113 Bonn
T +49.228.94 92 30 | F +49.228.24 21 713

FLO-Cert GmbH

Goerrestraße 30 | D - 53113 Bonn
T +49.228.24 930 | F +49.228.24 93 120

w w w . f a i r t r a d e . n e t