

AN ETHICAL REVIEW OF ALTERNATIVE TRADE OPTIONS FOR  
CANADIAN RETAILERS

By  
Stephen R. Wells

For  
Canadian Retailers

06 April 2007

# Letter of Transmittal

**From: Stephen Wells**

April 06, 2007

In February 2007, a CBC Report was published (“Fair Trade Supporters Seek Federal Regulation”, 2 January 2007) which made Canadians aware that many items identified as Fair Trade are sold fraudulently, without TransFair Canada certification.

I was directed to present a report related to the status of Fair Trade in Canada and a further refinement at the end of this report’s construction refocused it to assist Canadian retailers.

It has been my privilege to prepare this report and it is now my pleasure to transmit this report, *AN ETHICAL REVIEW OF ALTERNATIVE TRADE OPTIONS FOR CANADIAN RETAILERS*.

The purpose has been to help define the major types of alternative trade in Canada today. The report also shows the benefits and detriments of these trade options and, from an ethical perspective, provides realistic recommendations to retailers regarding the most effective options.

It my earnest hope that this report will assist retailers in making informed decisions about the types of alternative trade items they sell in their stores. I believe the compiled materials of this report form a significant repository of information for Canadian retailers. If I can be of any further assistance, please do not hesitate to call upon me.

I am pleased to present this highly informative report – creating it has been an honour.

Respectfully,

*Stephen R. Wells*

**Enclosure:** *AN ETHICAL REVIEW OF ALTERNATIVE TRADE OPTIONS FOR CANADIAN RETAILERS, 32 pages.*

## Acknowledgements

Thank you to TransFair Canada for their support in the production of this report- their information has been invaluable. Thank you also to Dr. Michael Cullen – your suggestions and feedback has been instrumental in the format and focus of this report.

I would also like to recognize the information included in the report perhaps taken from conversations I have had with many colleagues and friends in the past several months. Your contributions are appreciated.

Finally I would like to acknowledge the many workers in the developing world, past and future, who have needlessly suffered. It is my hope that this report may in some small way be of assistance.

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<sup>1</sup> Image courtesy of TransFair.ca

## Abstract

In February of 2006 a CBC Report was published (“Fair Trade Supporters Seek Federal Regulation”, 2 January 2007) making Canadians aware that many items identified as Fair Trade are sold fraudulently, without TransFair Canada certification. Since that time, many small businesses in Canada have begun to reevaluate the types of alternative trade products they carry. This report reviews and analyses the current forms of alternative trade and makes recommendations for small businesses.

Despite the recent critiques, Fair Trade remains the best form of alternative trade. Fair Trade goods are highly trusted by Canadians due to the certification process. No other type of alternative trade is as well-respected or trustworthy as Fair Trade.

# Executive Summary

## I. General Overview

Fraudulent use of the Fair Trade name was announced in a 02 January 2007 CBC report, “Fair Trade Supporters Seek Federal Regulation”. This CBC report raised concerns for many Canadians about the effectiveness of Fair Trade. This report assesses whether Fair Trade products are still the most ethical group of alternative trading goods to sell to Canadians.

## II. Findings

This report examines the most successful forms of alternative trade in Canada: Fair Trade and Direct Trade. The report shows that there are a number of challenges to the effectiveness of Fair Trade: in particular costs, certification enforcement, and level of ethics. It was also found that, although Direct Trade has a high potential to be an extremely effective and ethical form of alternative trade, it is very susceptible to abuse, as shown by current projects by Kraft Nestlé and Starbucks.

## III. Conclusions

Despite recent critiques of Fair Trade, it remains the most widely recognized and trustworthy form of alternative trade. Impartial certification at the international level has created a high level of confidence in Fair Trade products among Canadians.

This report also found that Direct Trade relationships may be beneficial for retailers whose customers possess a high level of confidence in their corporate integrity.

## **IV. Recommendations**

Based on these findings and conclusions, I recommend the following:

- Canadian retailers should continue to sell Fair Trade goods as the most trusted and effective form of alternatively traded goods. At this time there is no form of alternative trade that is nearly as trustworthy or well-respected as Fair Trade.
- TransFair Canada would be well-advised to proactively address Canadians' concerns about Fair Trade and reiterate its value with a new marketing campaign.
- Direct Trade relationships may be beneficial for retailers whose customers possess a high level of confidence in their corporate integrity.
- A further report on the potential to develop Direct Trade relationships for product lines currently unavailable under Fair Trade certification would be beneficial. I am available to assist with such a report upon request.

## **V. Close**

This report has discussed the relative success of various types of alternative trade, and although this is not a marketing report, this document has also paid careful attention to how Canadians might perceive these forms of alternative trade. It is hoped that this report will serve as a jumping off point for the development of a marketing campaign explaining the continuing benefits of Fair Trade.

# **I. Introduction**

In this report, the most successful forms of alternative trade in Canada are examined. To participate in this growth market and serve the needs of concerned Canadians, businesses need to be aware the various types of alternative trade.

The forms of alternative trade discussed in this report are Fair Trade and Direct Trade. This report considers these forms of alternative trade to assist small-scale Canadian retailers to choose the most appropriate ethically produced products for their businesses.

## **A. Time Frame**

This report was begun in February of 2006 in response to a recent CBC Report ("Fair Trade Supporters Seek Federal Regulation", 2 January 2007) which made Canadians aware that many items identified as Fair Trade are sold fraudulently, without TransFair Canada certification. Since that time, many small businesses in Canada have begun to reevaluate the types of alternative trade products they carry. To address these concerns, the report will be completed by 05 April 2007.

## **B. Time Frame of Research**

Research for this report was begun on 28 February 2007 and will continue up until the report is completed. To provide sufficient background information, research materials created from 1998 through to the present day have been used.

## **C. Audience**

Small businesses who would like to serve the needs of customers interested in alternative trade products will benefit from this report. Armed with this

information, businesses will be empowered to choose appropriate alternative trade products.

## II. Introduction to Alternative Trade

### A. About Alternative Trade

Approximately fifty years ago, African agriculture workers were struggling to make ends meet as a result of low prices maintained by product purchasers. This exploitation forced local economies into a cycle of poverty from which small-scale farmers could not escape.

To break this cycle, small-scale farmers and artisans in Africa began to work with aid organizations from Europe. They created a trading system that ensured a fair price for their produce and a direct road to European markets – the very first alternative trade.

Organizations who participate in this type of trade are called Alternative Trading Organizations, or “ATOs”. Their goal is to alleviate poverty in the developing world. ATOs do this by establishing systems of trade between marginalized producers in the developing world to markets in the developed world.

ATOs are characterized by their commitment to fostering an equal partnership between producers, importers, shops, labeling organizations, and consumers.

Some notable ATOs include:

- Equita
- Oxfam Trading
- Intermon Oxfam
- Ten Thousand Villages

## **B. Alternative Trade in Canada**

Parallel to the development of alternative trade, entrepreneurs began to create for-profit companies driven by the principles of alternative trade. This latter type of company was and is particularly common in Canada.

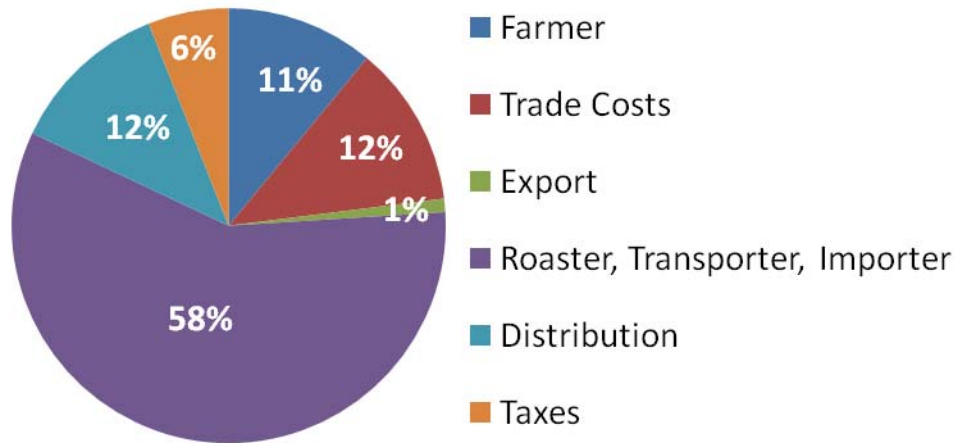
The most widespread form of alternative trade is Fair Trade. As the most important and well-respected form of alternative trade, it is the driving force behind the development of the other two alternative trade methods discussed in this report. Thus, to understand the role of alternative trade in Canada, please see the discussions of each of the major alternative trade options (particularly the sections relating to Fair Trade).

## **C. Benefits of Alternative Trade**

Alternative trade humanizes the trade process by shortening the chain between the producer and the consumer. The developing world does not need aid – it needs trade. Alternative Trade gives farmers, workers, and their families a living wage to escape debt. By paying a fair price for products from developing countries, retailers can maintain and expand these countries' economies and alleviate poverty in a sustainable way.

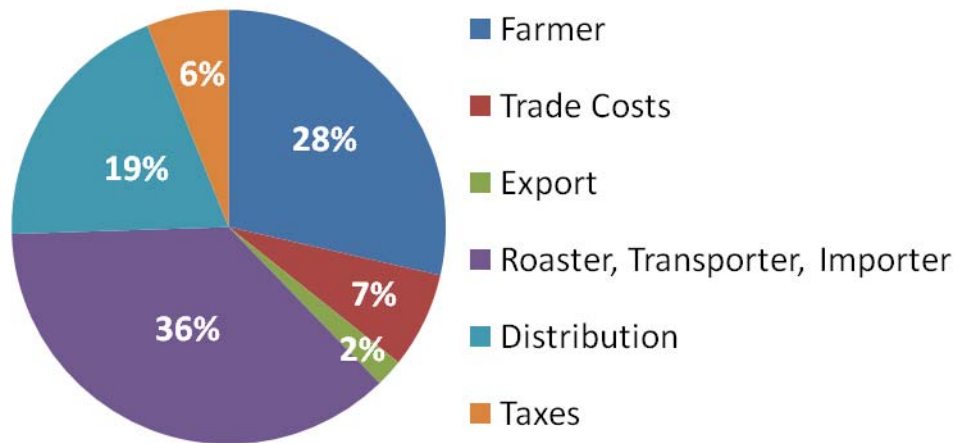
Consider the example of coffee. As shown in Figure 1 below, under normal trade circumstances only 11% of the price of conventionally-grown coffee goes to the farmer; whereas 58% of the price is earned back by the Roaster/Importer (who is sometimes the retailer).

**Figure 1: Conventionally-grown coffee**



However, as Figure 2 shows, coffee traded by ATOs such as Fair Trade organizations can guarantee a 28% return to the farmer.

**Figure 2: Fair Trade coffee**



As these examples show, often a great deal of the profits returned to the farmer are actually taken out of the retailer's profits. However, it is important to recognize that, for a number of reasons, products traded by ATOs typically command a much higher retail price. So, while the percent profit may be lower, the actual profit may be equal or higher.

### **III. Fair Trade**

#### **A. About Fair Trade**

Fair Trade products are ethically-produced goods certified at an international level. According to TransFair Canada, Fair Trade is "an international system of doing business based on dialogue, transparency and respect. It contributes to sustainable development by offering better trading conditions for producers and workers in developing countries."

Fair Trade addresses the injustices of conventional trade, which traditionally discriminate against the poorest, weakest producers. Fair Trade provides fair terms of trade for farmers and workers in the developing world. By receiving prices above the market minimum for their crops, growers can earn a decent living and ensure safe working conditions. The higher price, along with support from the Fair Trade Labeling Organizations International (FLO), also allows producers to improve the quality and sustainability of their products.

#### **B. TransFair Canada**

TransFair Canada is the certification body for Fair Trade products sold in Canada. It is the only national, independent, not-for-profit certification organization in Canada, and the only one affiliated with the Fair Trade Labeling Organizations International (FLO).

The non-profit Fair Trade Labeling Organizations International (FLO) cooperates with 22 national initiatives (such as TransFair Canada) to develop certification standards in direct consultation with growers in the developing world.

Products are then certified by an associated (but independent) organization called FLO-Cert. Fair Trade certified products are produced according to a number of ethical standards

- Sustainable, earth-friendly production practices
- Economically sustainable business practices

- No sweatshop or child labour
- Part of the money goes to economic and social development
- Democratic procedures and public accountability

The FLO frequently revisits the Fair Trade certification requirements to ensure that the needs of producers are continually met. FLO also works with producers to assist economic development in the developing world by helping improve business practices and increase the value of producers' products.

### C. Certified Products

All Fair Trade products in Canada which meet the standards set by the FLO are identified with TransFair Canada logo. This proves to consumers that the product meets TransFair's high ethical standards.

According to the terms and conditions of TransFair Canada's license agreement, the logo must be clearly displayed product packaging or with stickers on fresh produce.

The goal of the Fair Trade certification system is to ensure the ethical treatment of everyone involved with the product all the way to the consumer. TransFair Canada monitors the entire supply chain to maintain the integrity of labeled products. This helps to ensure that only products certified at the source are labeled as Fair Trade Certified.

The major products certified by TransFair Canada as Fair Trade are

- Coffee



Figure 1: Logo identifying all Fair Trade certified products.

- Tea
- Sugar
- Cocoa (chocolate and other cocoa products)
- Bananas
- Mango
- Rice
- Quinoa
- Spices
- Roses
- Soccer balls
- Volleyballs
- Wine
- Cotton

#### **D. Pricing**

In traditional commerce, companies attempt to push responsibility for as many costs as possible on to external sources. For example, pesticides used in coffee production can cause health-problems for members in the local community, for which they are not compensated. When the cost of healthcare and environmental cleanup (or prevention of the issue in advance by using alternative pest control) is not incorporated into the cost of the product, this would be considered a cost that the company has externalized.

In FairTrade, the external costs of production are purposefully included in the final price of consumer goods. FairTrade attempts to maintain accountability for all of the internal and external costs of production and develop an accurate end-price. So, rather than allowing the price to be set by external factors, such as the commodity market or bargaining, the price is based on a systematic examination of all associated costs.

To ensure that this attempt is successful, the FLO International works directly with producers in the developing world to determine a minimum price paid to the producer for each product.

Fair Trade certified products tend to be more expensive than other products because all related costs are incorporated into the base price. Some of the special costs include labour, product quality (e.g. organic farming practices), product handling (packaging and transport from small farms), and Fair Trade certification fees.

The price that consumers pay; however, is determined by the product's retailer. TransFair ensures that the producer receives the minimum guaranteed price for their product but thereafter prices are set by normal market forces.

## **E. Fair Trade in Canada**

In Canada, Fair Trade products have traditionally been available through health-food stores. However, the introduction of Fair Trade products in mainstream grocery stores has pushed the explosive growth in the volume of Fair Trade products sold in Canada. The highest-selling Fair Trade item in Canada is coffee: according to a recent CBC report, Canadians drank 4272% more certified Fair Trade coffee between 1998 and 2004. This increasing demand shows that Canadians are interested in sweatshop free, environmentally friendly products.

## **F. Benefits of Fair Trade**

By choosing to sell Fair Trade certified products, retailers receive a number of benefits to their businesses. In addition to the benefits described above pertaining to all forms of alternative trade, in particular these businesses gain the advantages commanded by a high-profile, high-quality product.

Fair Trade products are the most widely known and respected alternative trade products. And not without reason: Fair Trade products are the only

alternatively traded items in the world associated with a comprehensive certification program. Canadian consumers have begun to trust and believe in the Fair Trade certification process. Fair Trade labeling helps Canadians to identify items that were not produced under sweatshop conditions.

The Fair Trade logo also establishes a brand which consumers can identify. This brings to bear, to the benefit of the retailer, all of the positive media attention that Fair Trade products receive. In particular, Fair Trade products command the attention of a highly-desirable target market: affluent, socially-motivated, and evangelistic customers. Retailers who offer Fair Trade products quickly earn a loyal customer base that will bring in new customers.

## **G. Problems with Fair Trade**

A recent CBC report mentioned a TransFair Canada statement that more than 450 tonnes of coffee sold in Canada with Fair Trade labels in 2006 were not officially certified. Despite calls from Canadian businesses for the Canadian Food Inspection Agency to impose fines and enforce the certification standards, the agency is powerless unless Canada develops an official definition for Fair Trade. Businesses misusing the Fair Trade name and logo potentially harm producers in the developing world as well as Canadian businesses. Affected businesses are calling for a national definition of Fair Trade so that the Canadian Food Inspection Agency can enforce the certification and impose fines.

There have also been some recent media reports that some errors are occurring in the certification process. This means that some of the products labeled as Fair Trade do not in fact meet the standards of the FLO.

## **IV. Direct Trade**

### **A. About Direct Trade**

Direct Trade is a type of alternative trade characterized by the direct relationship formed with growers in the developing world. Also known as farmer friendly trade, companies involved in Direct Trade form long-term partnerships with growers in the developing world which greatly benefit both parties.

In Direct Trade relationships, the grower benefits by having a guaranteed customer who will purchase products at a fair price. The grower's customer benefits by having a consistent, high-quality product.

Direct Trade and Fair Trade resemble each other in many respects because they share the same goals: the improvement of economic conditions in the developing world through the fair and ethical treatment of the producers.

However, Direct Trade greatly differs from Fair Trade in one respect: there is no uniform set of standards or certification process associated with Direct Trade. This means that, although many companies form positive Direct Trade relationships with growers, it is not as inherently trustworthy and transparent as Fair Trade.

There are no externally identifiable standards, no oversight or impartial observers who ensure that Direct Trade fulfills its promises. Consumers who place their faith in Direct Trade products are placing their trust in the integrity of the company claiming to meet a certain ethical standard.

### **B. Direct Trade in Canada**

There are many companies who have developed their own Direct Trade programs in Canada. The best known and respected Direct Trade programs are run by Hines Public Market Coffee and Intelligentsia coffee. As with Fair Trade

products, it is the coffee industry that is leading the way in this segment of the alternative trade market. Direct Trade relationships, or relationships that superficially resemble Direct Trade, are also conducted by major coffee companies such as Nestlé, Kraft, and Starbucks.

### **C. Direct Trade Standards**

Despite concerns over the relative lack of common standards and transparency of Direct Trade, many companies involved in these types of relationships make their ethical treatment of growers into a part of their marketing materials.

One of the best-known proponents of Direct Trade is Intelligentsia Coffee. This purchaser/roaster has created relationships with small, family-run farms in countries throughout the developing world, and conducts its business according to standards even higher than required for Fair Trade products. According to Intelligentsia Coffee's website, for medium-sized or single farms Intelligentsia seeks to verify things like:

- Coffee pickers' wages compared to legislated minimums, regional average, and worker perceptions
- Level of health services provided
- Safe work environment
- community services (such as education) financed

Companies like Intelligentsia are able to ensure these standards are met because of their personal relationships with the growers. The coffee buyers stay in the growers' homes, visit the farms, and spend time understanding the farmers' issues – a face to face interaction makes this productivity possible.

## **D. Pricing**

Similar to Fair Trade, Direct Trade seeks to incorporate all of the costs of production into the price of the product, particularly the costs of sustainability and economic growth.

However, Direct Trade products often have better pricing than Fair Trade products because there are fewer costs involved in Direct Trade. In fact, this is the main reason why companies create Direct Trade relationships instead of selling Fair Trade items.

The Direct Trade relationship helps to maximize the benefits of trade: there is no need to pay a commission to the FLO for the use of the Fair Trade logo. The money makes a bigger and more positive difference when it goes directly into the hands of the producer.

## **E. Benefits of Direct Trade**

In ideal situations, Direct Trade has many of the same benefits as Fair Trade. If the relationship between the grower and purchaser is productive, the Direct Trade relationship produces a high-quality, sustainable, and ethical products.

The biggest advantage to the Direct Trade model is the removal of the middlemen. Since Direct Trade places a minimum of intermediaries between the grower and the consumer both ends of the product chain can be much more responsive to the other end's needs. In particular, the short chain allows for some incredible cost savings which would be impossible with further intermediaries.

In fact, many companies involved in Direct Trade use the more intimate nature of the relationship to ensure standards above and beyond those of Fair Trade. The smaller-scale relationship also allows purchasers to better ensure that growers' needs are being met – conditions can be considered on a case-by-case basis.

For example, Intelligentsia Coffee actually pays farmers 25% more than required by Fair Trade standards. The special costs associated with Fair Trade certification, marketing, and enforcements are not present in the Direct Trade model, so there is greater opportunity for profit for both the purchaser and the grower.

Retailers purchasing Direct Trade products have the opportunity to purchase items which are uniquely high in ethical standards, quality, and sustainability at the best possible price.

## **F. Problems with Direct Trade**

Although a tremendous example has been set by ethically-motivated companies such as Intelligentsia Coffee and Hines Public Market Coffee, not all companies operate according to the same high standards. The world's largest coffee buyers, Nestlé, Kraft, and Starbucks, have begun to develop their own ethical coffee lines using a model similar to Direct Trade. However, feedback from farmers indicates that this is merely a marketing ploy to capitalize on the popularity and high-prices commanded by Fair Trade products.

These companies have been accused of not making any significant changes to their exploitive coffee-purchasing policies. The ethical coffee lines are only a small part of these businesses' products and are being used only to camouflage their exploitation —no changes are made for the vast majority of the coffees that they purchase.

This reveals the central weakness of all Direct Trade products. When seeking out products that are associated with an ethical standard, consumers must trust the marketing message. There is no body proactively evaluating advertising and imposing penalties for false claims. Vague promises and false information may mislead consumers.

The main problem for retailers is the difficulty of gaining customers' trust for Direct Trade products. Consumers have become very savvy about the possibilities of misdirection in advertising, so it can be very difficult to gain their faith in ethical, Alternative Trade products.

## V. Analysis and Recommendations

### A. Fair Trade versus Direct Trade

The problems facing alternative trade are essentially ones of trust. In essence, the companies who push globalization have lost the trust of consumers and caused mistrust. Alternative Trade circumvents this disconnect and attempts to reconnect the marketplace with the impacts that it causes in the developing world. And it is working: alternative trade is growing in popularity and success.

When attempting to select the method of alternative trade to support, it is vital that retailers take the issue of trust into consideration. Retailers have the opportunity to create an intimate connection with their customers on the same basis as a Direct Trade relationship: one based on transparency, trust, and mutual benefit.

What method of alternative trade will the customer trust? The benefits of Direct Trade are very clear. Direct Trade has the potential to realize much higher profits for retailers and growers alike; however, the retailer must examine their relationship with their customers. If the retailer is well-respected for integrity and/or has the resources to thoroughly promote a transparent relationship, then Direct Trade clearly the best option.

Fair Trade, on the other hand, costs more and is accompanied by potentially less stringent ethical requirements. Furthermore, public trust in the effectiveness of Fair Trade has definitely been eroded in recent months.

Nonetheless, Fair Trade continues to be the best option for the majority of retailers seeking to establish a reputation for integrity or expand into alternative

trade markets. Fair Trade organizes products under a well-marketed and recognizable brand name which offers clear benefits to growers in the developing world. Consumers place their trust in the Fair Trade logo because it is backed by an international reputation for integrity and high moral standards.

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## VII. Appendix I: Government Briefing Note

### **Briefing Note: Calls for a Canadian Definition of FairTrade**

**To:** Canadian Food Inspection Agency and Senior Government Officials

**Date:** March 1, 2007

**From:** Stephen Wells

#### **Issue**

FairTrade oriented businesses in Canada are calling for a national definition of FairTrade.

#### **Background**

##### **Definition of FairTrade**

According to TransFair Canada, FairTrade is "an international system of doing business based on dialogue, transparency and respect. It contributes to sustainable development by offering better trading conditions for producers and workers in developing countries."

TransFair Canada is a non-profit body that identifies ethically made items produced in the developing world with the FairTrade logo to help consumers find products that meet strict FairTrade rules:

- Sustainable, earth-friendly production practices
- Economically sustainable business practices
- No sweatshop or child labour
- Part of the money goes to economic and social development

- Democratic procedures and public accountability

*Please see "Appendix I: International FairTrade Certification" for more information on how FairTrade products are certified.*

## **FairTrade in Canada**

In Canada, FairTrade products have traditionally been available through health-food stores. However, the introduction of FairTrade products in mainstream grocery stores has pushed the explosive growth in the volume of FairTrade products sold in Canada. The highest-selling FairTrade item in Canada is coffee: according to a recent CBC report, Canadians drank 4272% more certified FairTrade coffee between 1998 and 2004. This increasing demand shows that Canadians are interested in sweatshop free, environmentally friendly products.

## **Current Status**

- Major coffee companies developing their own ethical coffee lines (such as Nestlé, Kraft, and Starbucks) have been accused of not making any changes to their exploitive coffee-production policies.
- A recent CBC report mentioned a TransFair Canada statement that more than 450 tonnes of coffee sold in Canada with FairTrade labels in 2006 were not officially certified.
- Despite calls from Canadian businesses for the Canadian Food Inspection Agency to impose fines and enforce the certification standards, the agency is powerless unless Canada develops an official definition for FairTrade.
- Effected businesses are calling for a national definition of FairTrade so that the Canadian Food Inspection Agency can enforce the certification and impose fines.

## **Key Considerations**

**There are many positive reasons for Canada to develop a national definition of FairTrade:**

- FairTrade is a growing part of Canadian business. A national definition will help FairTrade businesses grow.
- If consumers stop trusting FairTrade products, this will damage many Canadian businesses as well as FairTrade certified producers in the developing world.
- FairTrade supports Canada's foreign policy goals. Canada's International Policy Statement document entitled *Canada in the World* lists economic development and stability in the developing world as important priorities.

**There are also many reasons for Canada not to develop a national definition of FairTrade:**

- Enforcing FairTrade certification may cost Canada money.
- TransFair certifies primarily food items produced internationally, some in competition with Canadian products.
- FairTrade products have a small market share. For example, FairTrade coffee accounts for less than 3% of Canada's total coffee consumption.
- FairTrade Certification promotes consumer awareness. A government definition of FairTrade will remove the consumer's responsibility to be informed about the origins and ethical production of a product and place that role on the government.

## **Next Steps**

- Study potential economic impacts and government responsibilities if a national definition of FairTrade is developed.
- Investigate impacts to producers in the developing world and Canadian businesses if Canadians lose trust in FairTrade certified products.
- Propose that TransFair Canada enforce their certification in the private sector through trademark law.

## **Conclusion**

Canadian businesses have called the Canadian government to create a national definition of FairTrade so the Canadian Food Inspection Agency can enforce the certification and impose fines when the FairTrade name and logo are misused.

Businesses misusing the FairTrade name and logo potentially harm producers in the developing world as well as Canadian businesses. A Canadian definition of FairTrade would help to protect the certification process but may lead to further requirements for intervention from the government and needlessly cost Canadians money.

## VIII. Appendix II: Government Press Release



Canadian Food  
Inspection Agency

Agence canadienne  
d'inspection des aliments

### For Immediate Release

#### NATIONAL DEFINITION OF FAIR TRADE ANNOUNCED

OTTAWA, March 29, 2007 – Canada set an example for all developed nations today by announcing a national definition of Fair Trade.

This definition will be launched on September 7 to empower the Canadian Food Inspection Agency (CFIA) to review products currently labeled as Fair Trade. The CFIA will review these items and impose fines against retailers selling sweatshop produced items fraudulently labeled as Fair Trade.

Fair Trade is the label applied to items imported from the developing world that are purchased at a sustainable price. The higher purchase price of these goods ensures that growers in the developing world receive enough money from the sale of their goods to sustain their families and develop their businesses.

Many Canadians depend on Fair Trade labeling to identify items that were not produced under sweatshop conditions. However, until recently there was no federal involvement in the labeling of

such products. Under the new definition, retailers will be required to pay sustainable prices for products labeled as Fair Trade.

Businesses misusing the Fair Trade name and logo potentially harm producers in the developing world as well as Canadian retailers. The Canadian Food Inspection Agency and the Government of Canada created this national definition in response to reports that over 460 tonnes of products fraudulently labeled as Fair Trade were sold in Canada last year. The definition enables the Canadian Food Inspection Agency to impose fines when the Fair Trade name is misused.

In Canada, Fair Trade products have traditionally been available through health-food stores. However, the introduction of Fair Trade products in mainstream grocery stores has pushed the explosive growth in the volume of Fair Trade products sold in Canada. The rapid growth in sales of Fair Trade items such as coffee show that Canadians are interested in sweatshop free, environmentally friendly products.

For more information on the national definition and forthcoming certification program, please visit our website at [www.inspection.gc.ca](http://www.inspection.gc.ca).

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