



Innovating for Impact Celebrating 15 Years

FAIRTRADE USA 2013 ANNUAL REPORT



About Fair Trade USA **Mission**

Fair Trade empowers farmers and workers to fight poverty in ways that improve lives and protect the environment. Rather than creating dependency on aid, it harnesses the power of markets to help producers and consumers alike invest in a better future.

Fair Trade USA, a nonprofit organization, is the leading certifier of Fair Trade products in North America. Fair Trade USA audits and certifies transactions between companies and their global suppliers to help ensure that farmers and workers are paid fair prices and wages, work in safe conditions, protect the environment, and earn community development funds to improve their lives. We educate consumers, enroll new manufacturers and retailers, and provide farming communities with the tools, training and resources needed to thrive as international businesspeople.

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

Vision

We envision a world where *Fair Trade for All*—producers, consumers and businesses—is not only possible, but also the norm. We envision a world where everyone is able to make fair, sustainable choices that reflect their values. Join us to learn more about where Fair Trade USA has been in the past—and where we are going in the future.

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Letter from the CEO

Dear Friends,

We launched Fair Trade USA in 1998 in a one-room warehouse in Oakland, California, embracing the simple idea that the Fair Trade model could serve as a powerful agent for change. Since then—and with the support of farmers, brands, retailers, philanthropists, grassroots activists and consumers from around the world—we've transformed the lives of millions of people.

Our 15-year journey as the leading U.S. certifier of Fair Trade products has been marked by gratifying successes and lessons learned, by rethinking our assumptions and by taking risks in search of new solutions. At the 2011 Clinton Global Initiative's annual meeting, we announced *Fair Trade for All*, our ambitious strategy to double the impact for farmers and workers worldwide by 2015. That same year, we resigned our membership from Fairtrade International (FLO) in order to pursue a broader and more inclusive vision for the future of Fair Trade.

We have now embarked on a new era for our movement. With *Fair Trade for All* as our roadmap to widen the circle of partners and beneficiaries, we have created a progressive and inclusive standards system, supported by a new approach to certification that addresses farmers and workers outside of the cooperative system and empowers them to achieve the Fair Trade promise.

We celebrate our 15 years of service to the Fair Trade movement, while acknowledging that our work is far from done. Over two billion people globally live in extreme poverty, and 65% of the world's most impoverished citizens work in agriculture. Daily life continues to be a struggle for many of the farmers and workers outside of the Fair Trade model—a historically invisible population of laborers—who help produce the every-day goods that many of us take for granted. Fair Trade is arguably the most promising, proven solution for alleviating global poverty today, and has never been better positioned to expand exponentially in the years ahead.

Thank you for joining us on this important journey. With your guidance, partnership and investment, we are becoming a movement that will change the world.

With gratitude and appreciation,

President & CEO



Maria Cera, 42, coffee grower affiliated with APROCASSI since 2009, prepares to place a coffee plant.



Ana Gaza, 20, from Guaytacama, selects and removes thorns from Fair Trade-certified roses before they are packaged. Ana, a single mother of a three-year-old girl, has been working at Agrogana for several years.

Innovating for Impact: Celebrating 15 Years

Fair Trade USA started 15 years ago with the import of a few thousand pounds of coffee and the conviction that consumers would pay a small premium for high-quality foods produced on the principles of equity and sustainability. In return, Fair Trade farmers earn higher prices and achieve the capability to compete in the global marketplace through direct, long-term relationships with international buyers. Moreover, farmers and workers enjoy safer working conditions, implement environmentally sustainable farming practices, and receive community development premiums to invest in education, healthcare and clean water. We quickly broke new ground, moving beyond coffee and introducing new Fair Trade Certified™ products—including tea, cocoa, bananas and sugar—into mainstream U.S. markets, generating a measurable impact on the lives and livelihoods of rural farmers and their families around the world.

We have certified over one billion pounds of Fair Trade coffee to date. We have added honey, produce, spices, grains, wine and spirits, flowers, apparel, home goods and body care products to the list of goods we certify, with coconut water and oil among our newest offerings. The import of Fair Trade Certified™ products reached an all-time high in the last three years, with thousands of products carrying our label in 200,000 retail locations across North America.

Today, 1.7 million farmers and workers in 70 countries participate in this international movement. Together with leading brands, retailers, NGOs and conscious consumers, we have delivered nearly \$350 million in additional income and community benefits to lift rural families out of poverty and fight environmental degradation.

Yet still, hundreds of millions of farmers and workers are left behind as they struggle to survive under the crushing hand of poverty.

We must continue to strive to create a more equitable system of trade and grow the market for responsibly sourced products. We must develop new solutions that enable the most marginalized individuals in the most challenging regions to earn better wages and build sustainable livelihoods over time. We must nurture new partnerships to create strong markets for certified products and protect the integrity of the supply chain. We must engage more consumers in supporting the hardworking families who grow our food and produce our goods. We must continue to innovate, to ensure that the impact of Fair Trade goes as deep as possible and reaches the people who need it the most.

We must make *Fair Trade for All* a reality.

Impact Story

Maria del Carmen Rodriguez Lopez

Fair Trade for All: Empowering Farm Workers

“What are my dreams for the future? Working here at Divemex!”

Maria del Carmen Rodriguez Lopez, 42, has held many jobs at Divemex Pimientos Selectos’ Sinaloa, Mexico, location since starting as a field worker ten years ago: she moved from temporary to permanent status, then transferred into the company offices with administrative duties. She is now a field supervisor, but still relies on her early experience planting bell peppers in the fields and the empathy she feels toward her fellow workers to shape her newly developed leadership skills.

“I used to be nervous in front of people. I didn’t like public speaking,” Carmen admits. “Now I have to lead discussions with my farm worker group. My role here continues to grow.”

Carmen credits many of these life-changing transformations—not just for herself and her family, but for all of her colleagues—to the Fair Trade certification that Divemex received in 2011. Divemex’s worker community voted to apply their premiums toward scholarships to pay for books, uniforms and transportation so that their school-age children may continue and ultimately complete their educations.

Carmen’s own grandchildren are still too young to take advantage of the scholarships, but she and her five adult daughters, all of whom work for Divemex, have benefitted from the comprehensive dental services also funded by Fair Trade premiums. Still, she understands how children’s education is vital to the strength of the family structure.

“There’s a farm worker who is a single mother to three boys. She couldn’t afford to continue sending her oldest to school. Instead of studying, he started looking for work. With the premium used for education, her oldest son was able to continue going to school—and studying.”



Divemex Pimientos Selectos grows bell peppers in Culiacan, Sinaloa, Etzatlán and Jalisco, Mexico. Children in these regions are often members of impoverished families who work in agriculture. The organization became North America’s first provider of Fair Trade Certified™ peppers, attaining the certification for 70 hectares of greenhouses in 2011.



Elu Valdez, 78, a life-long cacao grower, holds a cacao pod while sitting on her steps with her great-granddaughter Yaritza Berberan, 5.

Fair Trade for All

Introduced in 2011, *Fair Trade for All* is our vision to dramatically expand impact for farmers, workers, companies and consumers throughout global supply chains. Simply put, we believe that Fair Trade can and must do more. *Fair Trade for All* comprises three pillars that, together, aim to give millions more farmers the tools they need to not only survive, but to thrive:

- **Strengthening Farming Communities:** We are answering the need for improved support services, product quality, market access and business capacity on behalf of small-scale farming cooperatives.
- **Widening the Circle:** We are expanding the number of farmers, workers and communities that will benefit from Fair Trade.
- **Engaging Consumers:** We are elevating our consumer activation campaigns to increase market demand for certified products and grow impact for consumers and farmers alike.

Strengthening Farming Communities

Today's Fair Trade movement first began with small-scale farming cooperatives, and so we stand unwavering in our commitment and dedication to these pioneers. Since 2006, Fair Trade USA has directly invested over \$10 million—complementing millions of dollars in additional funds invested by our partners—in product quality, market access, business capacity and biodiversity initiatives for co-ops across Africa, Asia and Latin America.

To further strengthen these farming communities, our *Fair Trade for All* strategy has introduced new programs to connect, create and transform the lives of small-scale farmers worldwide. We call one such initiative *Co-op Link*, to ascribe the role we play in connecting and supporting organizations from all areas of the supply chain to increase co-op competitiveness in global markets, while maximizing benefits for farmers and their families.

Some key *Co-op Link* programs have included:

- Partnerships with the World Bank, Fundación Avina and others that enable Fair Trade USA to deliver price risk management training to 180 coffee cooperatives in Brazil, Colombia, Peru, Guatemala, Mexico, and East Africa.
- Our three-year partnership with the W.K. Kellogg Foundation and Progreso to promote economic security and sustainable livelihoods for coffee farmers and beekeepers in the highlands of Chiapas, Mexico.
- A multi-year project, in partnership with the Rabobank Foundation, Progreso, and Lutheran World Relief, that focuses on improving business practices and access to capital and markets for coffee cooperatives in Sumatra, Indonesia.

In 2012, we launched a series of country-level farmer gatherings, to be held several times a year in key origins, to increase transparency and collaboration in the supply chain while creating a forum for engaging farmers on strategy and policy. In the true spirit of *Co-op Link*, the first gathering, held in Peru, brought together all the cooperative leaders in the country, as well as U.S. importers, roasters, NGOs and lenders. Over the course of three days, we shared market analyses, discussed strategy, and sought input from producers about *Fair Trade for All* and other initiatives. The buyers present took advantage of the gathering to contract millions of pounds of coffee for the upcoming harvest, while participating social lenders accepted loan applications on site and committed to expanding access to affordable credit.

The most recent development within the *Co-op Link* initiative is our Cooperative Small Grants Program. Since 2012, we have made funding available to producer groups that have identified challenges around market access, financing, quality or productivity—as well as self-directed solutions for how to address these challenges. Winning grants have included providing resources to coffee co-ops in Peru to fight and prevent outbreaks of *roya*, a devastating “coffee rust” fungus; supporting a farming group in Honduras to improve their environmental sustainability efforts and their organic program; and investing in quality improvements by a farming community in Colombia to differentiate their coffee in international markets.

Widening the Circle

Of the hundreds of millions of farmers and workers who labor in agriculture and live on less than \$2 a day, only the smallest fraction have been able to participate in Fair Trade. Historically, the Fair Trade movement has focused on the roughly 10% of farmers who have joined cooperatives, restricting participation by unorganized smallholders and farm workers on larger estates.

Beginning with coffee, the goal of this second pillar of *Fair Trade for All* is to increase the scope, impact and relevancy of our model for the majority of coffee farmers who have long been excluded. Independent, smallholder farmers represent over half of the coffee-producing population, but have traditionally been left out of the sustainable coffee conversation. Estate and large farm workers, often earning \$2-3 a day, are arguably the group most in need of Fair Trade. Dangerous working conditions, low wages, child labor, poor housing conditions, zero job security and limited access to medical care are some of the critical challenges they face.

To this end, our Coffee Innovation pilots aim to bring the benefits and opportunities of Fair Trade to the entire coffee-producing community—co-ops, independent smallholders, and estate workers alike—to foster socially and environmentally sustainable production across the globe. We are tracking and analyzing the impact of Fair Trade at the farm and sector level, to ensure that coffee co-ops remain strong and competitive. For the independent coffee smallholders, we have developed standards whereby farmers can

choose their own form of organization, enjoy the benefits of Fair Trade, address key challenges in production as a group, improve quality and terms of trade, and potentially organize into a cooperative over time. Similarly, the Farm Worker Standard builds on existing Fair Trade standards for flower, tea and banana workers, to extend benefits and opportunities to the estate workers who produce roughly half of the world's coffee. Key focal points include worker empowerment, health and safety, training and organization, and continual improvement over time.

Twelve Coffee Innovation pilots are currently underway representing 9,000 farmers and workers in Africa and Latin America; ten of these have achieved Fair Trade certification to date.

Moreover, in 2013, our *Fair Trade for All* initiative drove the creation of new standards to certify large produce farms. We launched technical assistance programs to support the certification of ten new produce farms in Mexico and Guatemala. Providing steady employment to over 3,000 permanent and migrant farm workers, these farms produce squash, tomatoes, peas, cantaloupes, watermelons, cucumbers and asparagus for U.S. consumers. Fair Trade USA, working with its retail partners, was able to help gain market access for these farmers by securing shelf space at retailers, such as Whole Foods Market, Sam's Club, Safeway, and others.

Impact Story

PROASSA

Fair Trade for All: Including Independent Smallholders

Based in Chiclayo, Peru, PROASSA has been a producer and exporter of organic coffee dedicated to social and environmental responsibility since 1992. While the organization has worked with both cooperatives and independent smallholders for nearly 20 years, the group recently underwent the auditing and certification process to become Market Access Partner under Fair Trade USA's new Independent Smallholder Standard (ISS) to better serve over 250 farmers without access to the cooperative system.

"We are expanding the benefits of Fair Trade to those farmers without any formal organization," explains Victor Rojas, general manager at PROASSA. "With *Fair Trade for All*, smaller farmers are now motivated to adopt the practices and processes necessary to access the market quickly and to immediately receive the benefits of selling coffee under Fair Trade terms."

Independent smallholders working with PROASSA not only gain peace of mind and economic stability from a minimum price guarantee, they will soon begin receiving community development premiums to help tackle their most pressing problems. Fertilization strategies to combat destructive outbreaks of the coffee fungus roya, technical assistance to increase coffee production and quality, and social programs to improve healthcare and nutrition for farmers and their families are at the top of their list for premium expenditures.

"We know we are part of a larger movement, and it is critical that we include even the smallest producers in this global dynamic for progress."

— Victor Rojas, General Manager, PROASSA



Engaging Consumers

Within the growing array of ethical product labels, Fair Trade remains one of the only certifications that empowers farmers and workers to fight poverty through trade and sustainable farming practices. The third pillar of our *Fair Trade for All* strategy—engaging consumers—represents new ideas and innovations to increase consumer demand for ethically sourced products and deliver the message that everyday purchases have the power to improve lives and protect the environment.

Bringing together brands, retailers, non-profits and community organizations, we have initiated an expansion of both brand partner collaboration programs and consumer engagement campaigns to raise awareness, build demand for Fair Trade Certified™ products, and deepen the impact of Fair Trade for both farmers and U.S. consumers. Market research has indicated an increase in consumer awareness of Fair Trade from 34% in 2011 to 55% by the end of 2013. Gradually, we are creating a more intimate connection between consumers and farmers, and—ultimately—a more responsible marketplace.

Fair Trade Month • Our largest consumer outreach campaign, Fair Trade Month celebrated its 10th anniversary in the United States in October 2013. That same year, we introduced influencer programs with bloggers and social media leaders to our time-tested platform of grassroots events, vibrant

point-of-sale materials, and public relations efforts to galvanize supporters and build awareness.

Fair Trade Month also allows us to join forces with brand partners and amplify our message through these businesses' own networks and communications channels. Highlights of our partner collaborations during Fair Trade Month 2013 included Keurig Green Mountain's introduction of celebrity spokesperson Kelly Clarkson, and Patagonia's announcement to become one of the first major outdoor-clothing companies to offer Fair Trade Certified™ apparel.

Fair Trade Mother's Day • We strive to help the women who do much of the work on small farms and estates realize their full potential and receive the respect they deserve. We leveraged Mother's Day in 2013 as a way to honor the community of women who serve as a critical part of the global workforce. Our 2014 campaign profiled farmers and workers representing the products most often given as Mother's Day gifts—coffee, tea, chocolate and roses. Mother's Day also allowed us to creatively engage influencers on various social media platforms—popular food and fashion blogs, Facebook, Twitter, Pinterest and Klout—to serve as brand advocates and encourage purchasing decisions that deliver Fair Trade benefits to women throughout the world.

“Thanks to Fair Trade, coffee farmers have the chance to improve life in their communities, access healthcare and improve their children's educational opportunities. I personally witnessed the effect buying Fair Trade coffee has in these communities, and I'm honored to use my voice to help spread the word!”—Kelly Clarkson, Fair Trade Ambassador

“More than anything, the Fair Trade status has let people know more about Buena Vista, its values and its chosen course of development.”

—Joel Benson, Mayor of Buena Vista, the first Fair Trade Town in Colorado and 17th in the nation.

Fair Trade Campaigns • The Campaigns are a critical part of a successful grassroots movement that mobilizes everyday citizens—inspired to make a difference beyond their own purchases—to reach out to their local communities to raise consumer awareness, build demand and deepen our impact for both farmers and U.S. consumers.

Fair Trade USA has played a key leadership role in this initiative since the launch of Fair Trade Towns in 2007 and Fair Trade Colleges & Universities in 2010. Towns are communities that have demonstrated their commitment to the movement by ensuring widespread availability of certified products at local retail venues. Similarly, Colleges & Universities engage students, staff and faculty to transform campuses across the country into catalysts for change.

In 2013, we launched two new types of Fair Trade organizations: Schools and Congregations. These campaigns engage the next generation of consumers and build dedication to our model, as well as to provide recognition for faith communities, whose work lies at the origins of the Fair Trade movement.

By the end of 2013, over 160 Towns, Colleges, Universities—and even five K-12 Schools—were actively engaged in campaigns across the country, spreading the message of sustainability and social justice, and delivering greater impact to more farmers and workers around the world.

Fair Trade Towns—74 total campaigns, with 34 communities achieving Town status.

Fair Trade Colleges & Universities—87 total campaigns, with 18 institutions achieving College/University status.

Innovation Partner

The Skoll Foundation

Investing in Global Sustainability

A leader in the field of social entrepreneurship, The Skoll Foundation has invested in Fair Trade USA since 2005 as part of the Foundation's mission to drive large-scale change to help solve the world's most pressing social and economic problems.

In more recent years, The Skoll Foundation has demonstrated its strong support of *Fair Trade for All*, our strategic plan to grow sustainable markets around the world, to expand Fair Trade practices beyond small farmer cooperatives, and to dramatically increase the impact of our work:

- In 2012, The Skoll Foundation, Clinton Giustra Enterprise Partnership, Fundación Avina and Fair Trade USA convened in New York to focus on how to make global supply chains more sustainable. President Bill Clinton joined 37 leaders from the business, farming, academic, NGO and philanthropic communities to address key challenges around global poverty, environmental degradation, market failures and growing economic disparity. At this powerful event, The Skoll Foundation pledged to invest in our new model and worked with the leaders present to secure commitments supporting the *Fair Trade for All* vision.
- In 2012, the Foundation provided Fair Trade USA with a crucial grant to support the development of a robust evaluation framework to better capture and communicate historical and ongoing data on the impact of Fair Trade.
- The Foundation also invited us to the 2013 Sundance Film Festival, connecting us with Patrick Creadon, the filmmaker who created "Buy Fair. Be Fair," a public service announcement that was launched later that year to increase consumer awareness as well as sales of Fair Trade Certified™ products.

"Fair Trade is infinitely expandable."—President Bill Clinton

Since 1999, The Skoll Foundation has invested approximately \$400 million in 100 remarkable social entrepreneurs and 80 organizations on five continents.

The workers chose to use some of their Fair Trade community development premium to build an apartment complex. This project provides safe, clean housing to many of the farm's workers.



Standards and Certification

When we launched *Fair Trade for All*, we embarked on a journey to deliver empowerment, economic development, social responsibility and environmental stewardship to millions more farmers and workers. To achieve this vision, we must holistically innovate our current operating model, including the standards against which producers are evaluated and the certification process that measures compliance across global supply chains.

While it is considered best practice in standards-setting and certification to conduct a major revision at least every five years, we have initiated a two-year process to update our agricultural standards to ensure that they are accessible, credible, and transformative. Similarly, we are developing an inclusive approach to certification that enables a growing number of producers to participate and compete in international markets in ways that are fair and equitable and help them progress and expand their business capacity over time.

Innovations in Standards

In 2013, Fair Trade USA updated its Independent Smallholder Standard (ISS) and Farm Workers Standard (FWS) to reach millions of farmers historically left out of the Fair Trade system. The ISS provides “independent” farmers who own small parcels of land but are not organized into cooperatives or associations with the ability to partner with a Certified Market Access Partner to commercialize their products and access the benefits of our model. Similarly, the Farm Workers Standard serves workers who do not own their own land, but hire onto larger farms. Both the ISS and FWS are based on the principles of farmer and worker empowerment, economic development, social responsibility and environmental stewardship, and we are working toward the goal of merging both into a single Agricultural Production Standard in the near future.

In 2013, we revised our Apparel and Home Goods Standard to serve workers in different types of production facilities beyond apparel. The Apparel and Home Goods Standard aims to raise the bar for facilities that produce certified products and to guarantee living wages, worker empowerment, fair working conditions and environmentally responsible production at these sites. In addition to internationally recognized labor standards, the Apparel and Home Goods Standard leads to improved workers’ voice and women’s rights, and regulates trade conditions between factories and buyers.

The final version of our Trade Standard was also completed in 2013, after incorporating comprehensive feedback from 40 different groups from farming, trade, lending, NGO and brand backgrounds. This standard regulates trade conditions between farms and buyers, incentivizing long-term relationships and higher wages, in addition to requiring premium payments to producers.

As we look toward the future, we envision developing standards that engage all types of producers at every stage of the sustainability journey. These new standards will be translated into a series of benchmarks appropriate to the needs and potential of each group. This approach focuses on farmer and worker empowerment, rather than external policing, creates financial incentives for continuous improvement, and ultimately allows producers to take greater control of their own development.

Innovation Partner

Keurig Green Mountain

Creating a Resilient Supply Chain Through Strong Company Values

In 30-plus years, Keurig Green Mountain (formerly Green Mountain Coffee Roasters, Inc.) has grown from a small café in Vermont to a \$9 billion dollar premium beverage company with an enduring commitment to social responsibility and environmental sustainability. A partner of Fair Trade USA since our earliest days, KGM continues to strengthen its commitment to this model as part of its sustainable coffee sourcing strategy, and has been an early public supporter of our *Fair Trade for All* vision.

- KGM co-hosted, with us, several 'Intercambio' events, in Peru, Columbia and Nicaragua, bringing together KGM's entire coffee supply chain in each country — including farmers, importers, traders, social lenders, and non-government organizations (NGOs) — to enhance transparency, inspire collaboration, and exchange ideas.
- KGM recently made a \$550,000 grant to us in support of programs that cultivate awareness about Fair Trade Certified™ coffee, ranging from scholarships for the Fair Trade Towns and Universities program to sponsoring coffee producer events around the country.
- KGM bought more than 54 million pounds of Fair Trade Certified™ coffee in calendar year 2012, becoming the world's largest purchaser of Fair Trade Certified™ coffee for the third consecutive year.
- Since 2000, KGM has delivered more than \$22 million in community development premium funds to farmers through coffee purchases — with \$9.9 million in 2012 alone.

"Keurig Green Mountain's support of Fair Trade has improved the quality of life for the 1,700 families and 41 communities that compose our organization. It is an honor for us to collaborate with KGM."

— Executive Committee & General Assembly of the Small Coffee Producers
Regional Union of Huatusco, Veracruz, Mexico

Integrity in Certification

Across the country and spanning dozens of product categories, companies are increasingly seeking the Fair Trade Certified™ label. Since the *Fair Trade for All* vision launched in 2011, a total of 220 companies have joined the movement in the U.S., bringing the total number of partners to 810 companies ranging from small, mission-driven coffee roasters to some of the largest transnational corporations in the world. Moreover, in addition to the hundreds of companies carrying single ingredient products—such as coffee, tea, sugar and bananas—scores of other businesses now carry composite products containing several certified ingredients.

From ice cream and cosmetics to apparel and home goods, Fair Trade Certified™ products are now more available than ever.

To earn a license to use the Fair Trade Certified™ label on their products, companies must buy from certified farms, pay established premiums and submit to a rigorous supply chain audit. This process entails a high level of transparency and traceability in global supply chains as we track transactions between more than 800 companies and more than 500 producer organizations representing millions of farmers and family members. In 2013, our certification team audited over 60,000 transactions between producers, importers and manufacturers.

Our standards are guided by four core principles: empowerment, economic viability, social progress and environmental sustainability. Our certification process verifies criteria in these areas to ensure that quality products are produced in a way that improves lives for farmers and workers, while also protecting the environment.

Farm Certification • We work with highly experienced certifiers, such as California-based SCS Global Services, at the product origin, and with skilled auditors along the entire supply chain to ensure that our promise is delivered on all products sold. Our certifiers have global networks of highly trained field auditors who visit cooperatives and farms to verify compliance with strict social and environmental standards, as well as how they use their community development premiums.

We also recognize certificates from FLOCERT, the Germany-based, ISO 65-accredited ethical certification program.

U.S. Certification • Our certification team audits transactions between U.S. importers, manufacturers, distributors and the farmer organizations from which they source. We verify the chain of custody to ensure that the companies licensed to display our logo meet our standards.

Fair Trade USA uses a risk-based approach to trade auditing that includes select physical audits paired with a rigorous desk audit to minimize costs while

managing risk along the entire supply chain. For on-site audits, skilled auditors from respected organic certifier Oregon Tilth visit our partner companies and examine their files, inventories, internal control systems and traceability protocols. This comprehensive audit has proven highly valuable in encouraging transparent accounting and full compliance with our standards.

Commitment to Continuous Improvement • At Fair Trade USA, we are constantly evaluating and improving our certification process to ensure the integrity of our label as we add new products, retailers and brands. In 2010, we introduced a virtual reporting application to streamline reporting requirements for all companies; currently more than 90% of all trade partners are using this portal successfully. We also collect surveys from trade partners after they receive physical audits. During the 2012-2013 audit cycle, nearly half of all companies receiving an on-site audit responded to the survey and they all either agreed or strongly agreed that they received benefits from the inspection.

We continue to holistically innovate our certification model, using technology to embrace new approaches to what information is collected, how it is gathered and how decisions are made. Furthermore, we seek to improve the existing certification model and our standards to create a seamless, scalable system that assures compliance from origin to shelf.



Transparency and traceability are key components to our world-class certification model and the Fair Trade approach. See how the full certification process works, from farmer to brand to retailer.

Innovation Partner

Whole Foods Market

Expanding Impact Through Certified Produce

Whole Foods Market, the world's leading retailer of natural and organic foods, puts corporate social responsibility at the heart of its business. Its long-term commitment to fight global poverty and improve the lives of farmers through ethical trade serves as the foundation for its partnerships with Fair Trade USA and other third-party certifiers, as well as the mission behind its own Whole Trade Guarantee program.

In 2013, Whole Foods Market purchased 79% of all Fair Trade Certified™ fruits and vegetables sold in the United States, up from slightly more than 50% in 2011. Stocking its stores with certified bananas, pineapples, bell peppers, roses, avocados, mango, citrus, cucumbers, eggplant, cantaloupe, honeydew, watermelon, peaches, table grapes, zucchini, asparagus, tomatoes, and hard squash, Whole Foods Market offered an unprecedented variety and volume of fresh products in 2013 that underscored Fair Trade USA's own expansion to support migrant farm workers on large-scale produce farms via its *Fair Trade for All* initiative.

Moreover, the increase in Fair Trade impact has been significant and life-changing for farming communities across growing regions in countries such as Mexico, Guatemala, Costa Rica, Ecuador, Colombia and Peru. Sales of Fair Trade products by Whole Foods Market generated \$3.6 million in community development premiums in 2013 and \$2.5 million in 2012, contributing to a total of over \$8.9 million to date. Farm workers voted to invest these premiums to improve their families' quality of life, as well as other projects ranging from children's healthcare and education to microfinance and land development.

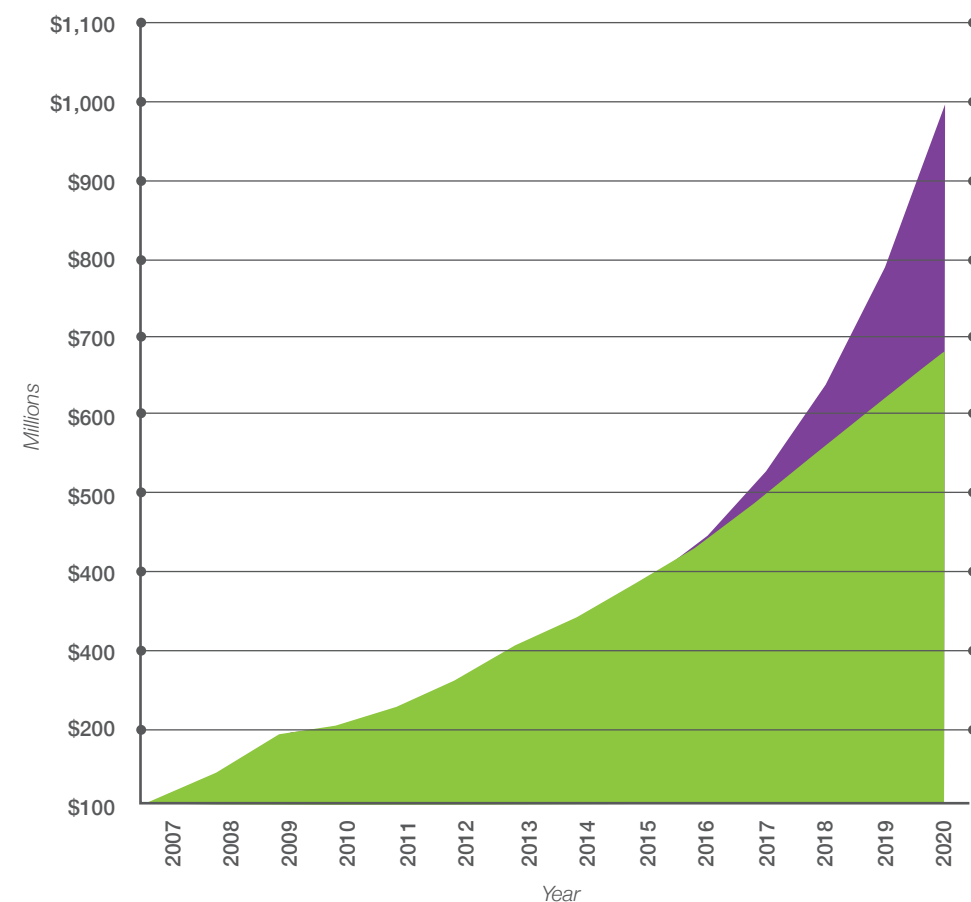


Washed bananas being prepared for export in Columbia.

Measuring Impact

One of the most unique and critical aspects of our work is the funding we channel back to producers for social, economic and environmental development projects. These community development premiums support projects democratically selected by each producer community—from public health, education, women’s empowerment, and environmentally sustainable farming practices, to business training and infrastructure projects—to improve overall quality of life. As *Fair Trade for All* gains traction, it will not be enough for us to simply measure the funding that we channel toward community development projects; we must also strive to measure the direct impact these premiums have on farmers and workers and the communities they live in.

Cumulative Value to Farmers & Workers



Since 2011, Fair Trade USA has partnered with nonprofit social enterprise Good World Solutions to deploy Labor Link, a simple yet flexible mobile technology platform that gives farmers and workers a real voice in Fair Trade supply chains. The widespread penetration of mobile telephones—some 6.8 billion subscriptions globally—offers an unprecedented opportunity for us to connect directly with farmers and workers in real time, to better understand their needs and working conditions, and measure how Fair Trade is impacting

their lives. Labor Link is provided free to farmers and workers, and responses are anonymous and can be made anytime, anywhere. Unlike traditional SMS approaches, Labor Link’s voice-based platform does not require literacy.

To date, Labor Link’s voice-based mobile surveys have reached more than 10,000 farmers and workers at 25 cooperatives and farms in Peru, Mexico, Brazil, Colombia, India and Uganda. Through Labor Link, we have learned that:

1. Farmers and workers in Fair Trade supply chains are eager to share information via mobile technology; participation rates average 30-40% and have been as high as 70%. Labor Link also gives co-op leaders a vehicle to drive co-op loyalty and enhance internal communication, and offers farm managers tools to increase worker retention and job satisfaction.
2. Labor Link can be leveraged to capture information in three key areas: 1) monitoring and evaluation of certification and capacity-building impact; 2) real-time performance measurement and return on investment of training activities; and 3) meta-analysis to track trends and changes over time, across products and countries. By sharing the voice of farmers and workers directly with consumers, mobile data is helping to enhance certification and help boost consumer awareness.
3. Mobile surveys are scalable and cost-effective. Labor Link established a direct channel of communication with farmers and workers between audits that can be accessed 365 days a year, without field agent visits or other costly interventions.

Labor Link is just one of many vital components of a groundbreaking, comprehensive framework that we are building to capture historical and ongoing data about the transformational impact of Fair Trade certification. In addition to Good World Solutions, we are working with other research consultants to gather feedback from millions of farmers and thousands of companies around the world through the implementation of platforms that will collect, warehouse, analyze and aggregate the data. Information technology, as exemplified by Labor Link and other programs, will play an increasingly critical role in scaling our work efficiently and cost-effectively.

As a result, we will be able to provide business partners and consumers with unparalleled supply chain transparency and demonstrate the micro and macro impact of our model on social and economic development. We will also measure market growth among certified business partners and track consumer awareness and purchase behavior for our products. With the new framework in place, we will have the capability to continuously fine-tune our standards to drive the greatest impact to millions more farmers and workers.

Moving Forward with Our Brand Partners

Across the country and spanning dozens of product categories, companies are increasingly seeking the Fair Trade Certified™ label. In 2013, more than 130 new companies joined the movement to offer certified products in the U.S., bringing the total number of partners to 810 companies. Since the *Fair Trade for All* vision launched in 2011, a total of 220 companies have joined the movement.



Fair Trade USA in the News

Over the past several years, Fair Trade USA has received increased media attention, not only for product announcements and reports on the progress of *Fair Trade for All*, but also for its emerging position as a thought leader on issues of social responsibility, ethical consumerism, and sustainable agricultural markets.

- In 2012, FastCompany.com's Co.Exist site invited our CEO, Paul Rice, to become a regular contributor and write on topics of social entrepreneurship.
- After the April 2013 factory collapse in Bangladesh, the world was eager to find alternatives to sweatshop labor, and national outlets like the *Associated Press*, *The New York Times*, NBC News, *Entrepreneur Magazine* and *The Wall Street Journal* all reported on the tragedy, as well as the availability of Fair Trade Certified™ apparel options.
- The impact of a devastating leaf-rust outbreak on coffee production in Central America was one of the coffee market's biggest stories in 2013, and Fair Trade pricing was cited in media outlets such as Reuters and *The Wall Street Journal* as a way to mitigate the financial loss by farmers.





Fair Trade Certified™ Products

2013 Highlights

- 2013 imports of Fair Trade Certified™ fresh produce totaled over 155 million pounds, returning to producers \$4.2 million in premiums
- Cocoa imports in 2013 more than tripled compared with the previous year.
- Coconut emerged as a new product for Fair Trade USA, with certified sales beginning in the fall of 2013. The launch of new coconut water and coconut oil products generated nearly \$100,000 in premiums for farmers in the Philippines.
- We added several new geographical sources for our products, including Guatemala for vegetables, Uganda for tea, India for sugar, Uruguay for honey, and Pakistan for dried cherries.

Coffee

Since Fair Trade USA began certifying products in 1998, coffee imports have surpassed one billion pounds!

In addition:

- Community Development Premiums—the amount returned directly to producers—in 2013 exceeded \$30 million for the second consecutive year.
- During 2012 and 2013 alone, we achieved nearly half of the all-time impact dollars since 1998.
- Farmer organizations earned an average of 84 to 89 cents per pound above market price during the first half of 2013.
- 67 new coffee business partners joined Fair Trade USA in 2013.

Produce

In 2013 Fair Trade fresh produce volumes sold in the United States grew 37% over 2012, making it Fair Trade USA's fastest growing product category. This growth nearly doubled the amount of Fair Trade community development premiums driven back to farmers and workers. In 2013 produce farmers and workers earned \$4.2 million to invest in their communities' needs such as education, transportation, health care, and potable water.

In addition:

- Our produce innovation team has certified 20 new farms employing 14,000 farmers and workers, many of whom are migrant workers.
- Fair Trade USA certified its first North American bell pepper farm: Sun Select Produce based in British Columbia, Canada, which employs workers from Guatemala.
- 2013 was the biggest year ever for Fair Trade Certified™ produce, which spanned 23 different product categories.

Consumer Packaged Goods

Consumer Packaged Goods (CPG) comprise many product categories including tea, grains, sugar, cocoa, honey, wine, spices and others. In 2013 more than 39.9 million pounds of Fair Trade Certified™ ingredients in CPG products were sold in the United States. These sales contributed to nearly \$3.4 million in community development funds that were delivered back to farmers and workers in Latin America, Asia and Africa.

In addition:

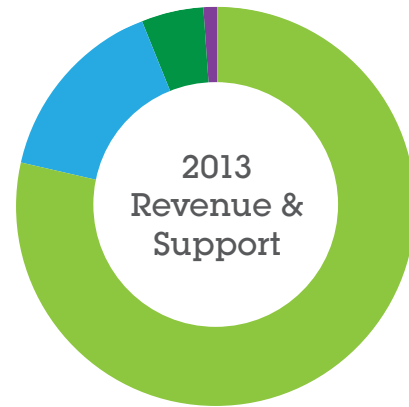
- In 2013 Fair Trade cocoa volumes grew 221%, generating over \$1.7 million in community development funds back to farmers and their families.
- Hershey's successfully partnered with Fair Trade USA and 13 cocoa cooperatives in the Ivory Coast, benefitting thousands of cocoa farmers in this region.

Since Fair Trade USA began certifying products in 1998, coffee imports have surpassed one billion pounds!

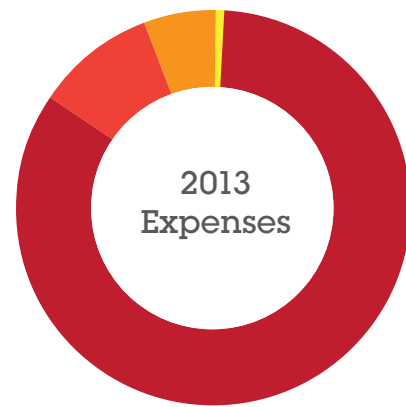
2013 Financial Statements

	2012	2013
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$3,549,579	\$2,351,974
Investments	\$268,304	\$251,208
Service fees receivable	\$2,507,405	\$2,335,138
Grants receivable, current	\$674,486	\$266,033
Note receivable, current	\$7,765	-
Prepaid expenses	\$97,475	\$134,059
Total current assets	\$7,105,014	\$5,338,412
Property and equipment, net	\$235,166	\$133,508
Deposits	\$50,350	\$50,475
Grants receivable, long term	\$140,832	-
TOTAL ASSETS	\$7,531,362	\$5,522,395

LIABILITIES AND NET ASSETS		
<i>Current Liabilities</i>		
Accounts payable	\$146,768	\$242,226
Accrued liabilities	\$1,212,058	\$1,522,312
Deferred revenue	\$153,140	\$12,355
Notes payable, current portion	\$1,250,000	\$1,275,000
Total current liabilities	\$2,761,966	\$3,051,893
Notes payable, net of current portion	\$3,075,000	\$1,550,000
Accrued lease incentive	\$255,641	\$358,361
Total liabilities	\$6,092,607	\$4,960,254
<i>Net assets (deficit)</i>		
Unrestricted	(\$70,838)	\$61,327
Temporarily restricted	\$1,509,593	\$500,814
Total net assets (deficit)	\$1,438,755	\$562,141
TOTAL LIABILITIES & NET ASSETS (DEFICIT)	\$7,531,362	\$5,522,395



Service fees, net	83%	\$8,612,352
Grants and contributions	11%	\$1,203,035
In-kind donations	5%	\$487,425
Other income	1%	\$112,358
TOTAL REVENUE AND SUPPORT		\$10,415,170



Program	85%	\$9,598,958
General and administrative	7%	\$805,006
Fundraising	5%	\$606,794
Other	3%	\$281,026
TOTAL EXPENSES		9,582,974

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Fair Trade USA

1500 Broadway, Suite 400

Oakland, CA 94612

TEL 510-663-5260

FAX 510-663-5264

www.fairtradeusa.org
