



TransFair's mission is to build a more equitable and sustainable model of international trade that benefits producers, consumers, industry and the earth. We achieve our mission by certifying and promoting Fair Trade products.





# Letter from the President

Dear Friends,

In December 2004, the deadliest tsunami in modern history swept across Asia, claiming the lives of over 275,000 people. Among the victims were 13 children from a Fair Trade coffee cooperative who were studying in high school in Banda Aceh on the northern tip of Sumatra. Their tragic loss, felt throughout the Fair Trade community here in the US, sparked the compassion and generosity of scores of coffee companies whose donations helped the cooperative rebuild its damaged infrastructure.



Meanwhile, a quiet tsunami continued to batter farming communities throughout the developing world. As world coffee prices remained at historic lows through most of 2004, farmers literally struggled to survive. In my travels last year, I saw first-hand the desperation created by this ongoing crisis. Yet, once again, socially responsible coffee companies and retailers stepped up and lent a hand, increasing Fair Trade imports by 76% and sending an unprecedented \$26 million in above-market income back to family farmers in their time of need.

As a result, children were able to eat better and stay in school longer. Remote farming cooperatives pooled their resources and built clinics to improve healthcare for their families. Farmers invested in training programs, learning to refine their coffee quality and convert to organic agriculture. Around the developing world, Fair Trade communities cultivated hope and began to build a better future for their children. And all this progress was based on a simple but powerful premise: farmers deserve a fair price for a great product.

Fair Trade makes globalization and "free trade" work for the poor. Through more equitable trading relationships with the US, some 1.1 million farmers and their families have begun to bootstrap their way out of poverty. Their partners: a thriving market of more than 400 leading US companies that has made Fair Trade certification the core of an ethical and profitable business model. Of course, consumers are the ultimate heroes of this story. Millions of citizen-consumers across America are awakening to their true purchasing power and making a difference in the world through responsible shopping.

If the story of Fair Trade is empowerment through partnership, TransFair's story is all about leverage. Over the last six years, every \$1 invested in TransFair USA has translated into \$7 in above-market income for farmers, a 7:1 social return on investment that is unparalleled in the world of international development. In 2004, we beat that average, generating \$9 in additional farmer revenue for every dollar we spent. As Time magazine's feature article put it, "Fair Trade is taking off in the US."

But this is only the beginning. The big news in 2004: TransFair launched bananas, pineapples, mangoes and grapes, taking the Fair Trade Certified™ label into the produce section of US supermarkets for the first time. Bananas are the most highly-purchased item in American supermarkets, and Fair Trade bananas command as much as 47% market share in some European countries. By expanding into fresh fruit, we seek to extend the benefits of Fair Trade to millions of additional family farmers, farm workers and consumers over the next few years.

TransFair's vision is to build on the current market momentum, expand the variety of Fair Trade coffee options, launch new product lines, and develop new distribution channels to reach a broader mainstream consumer audience. Ultimately, we dream of creating a Fair Trade lifestyle option for consumers who care, empowering a new generation of conscious consumers to change the world every time they shop.

This report reviews the efforts of TransFair and the broader Fair Trade community – companies, NGO allies, funders and consumers – in 2004. Without the passion and commitment of so many different people, our success would simply not be possible. Thanks to your support, we have helped make life better for some of the poorest people in Latin America, Africa and Asia. On behalf of all of us at TransFair, I thank you for your purchase and promotion of Fair Trade products and for your generous support of TransFair USA.

Paul



# About TransFair USA and Fair Trade Certification: Making Globalization Work for Everyone

*“Before I was someone that took a box and loaded it onto a train. That was my only responsibility. In this new system, I have become an international businessman.”*

**Arturo Gomez, member of Costa Rica’s Coopetrasur banana cooperative**

While globalization may mean cheaper goods for consumers in the United States, for millions of people around the developing world—including many who grow and harvest products that Americans enjoy every day, such as coffee, fresh fruit, tea, and chocolate—it can mean a continuing cycle of debt and poverty.

Faced with low, volatile market prices, farmers and farm workers throughout the global South who depend on export crops for their livelihoods may be unable even to recover their costs of production. And even when prices rise, without direct access to markets or market information, isolated farmers often remain dependent on local intermediaries who may offer them less than a third of the market price for their crops.

The human and environmental consequences can be devastating: farming communities’ most basic nutrition, health, and education needs go unmet, while traditionally forested, intercropped agricultural lands are clear-cut and

hazardous agrochemicals are overused, as farmers and farm workers struggle to increase production in order to survive.

Fair Trade is changing all that. As the only third-party certifier of Fair Trade products in the United States, TransFair USA is making a change possible in this country. By giving developing world farmers and farm workers direct access to the US Fair Trade market, together with the tools and resources they need to succeed in it, we are enabling people who were once excluded from the benefits of globalization to take advantage of its promise.

## How The Model Works

Our Fair Trade Certified™ label is a guarantee that the strict standards of Fair Trade were met. These standards require:

**Direct trade** between farmers and farm workers and their US importers. TransFair USA’s Producer Relations team facilitates direct, long-term relationships among producer groups and US companies, allowing farmers and farm workers to play a central role in the international trade and marketing of their crops, and to keep more of the value of their products.

**Fair minimum prices.** A guaranteed Fair Trade floor price enables farmers and farm workers not only to earn higher incomes to better support their families, but also to invest in the quality of their products, and in social and economic development projects in their communities.

**Access to credit.** Fair Trade standards require that importers extend lines of pre-harvest credit to producer organizations when needed. Pre-harvest credit is an essential lifeline in communities that depend on a single



export crop for their income, and it enables cooperatives to engage in long-term planning and to increase their viability as international businesses.

## Support for sustainable agriculture.

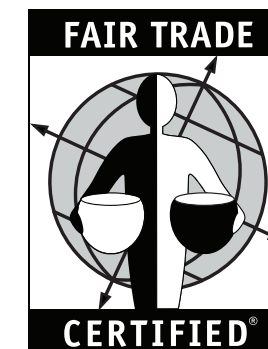
Fair Trade standards restrict the use of pesticides and other agricultural chemicals, which means healthier communities and less environmental degradation than with conventional production methods. In addition, Fair Trade Certified products that are also certified organic receive a higher minimum Fair Trade price. Fair Trade thus provides financial incentives for conversion to organic agriculture, along with additional income to make conversion possible.

**Rigorous Standards** TransFair USA’s Certification team audits transactions among our more than 440 US business partners offering Fair Trade Certified products and the importers and international suppliers from whom they source. In addition, annual inspections of all Fair Trade registered cooperatives in countries of origin are conducted by FLO-Cert, part of Fairtrade Labelling Organizations International (FLO), the umbrella organization responsible for setting Fair Trade standards and registering producers participating in the Fair Trade system.

These inspections ensure living and working conditions on Fair Trade registered farms that meet or surpass the minimum requirements of the International Labor

Organization, and represent the most stringent wage and labor standards of any product certification.

Because Fair Trade producers must be free to organize democratically into cooperatives or unions, farmers and farm workers are empowered to address their own most pressing local development needs for themselves. This represents a dramatic and uniquely effective departure from traditional aid-based approaches to international economic development.



## Fair Trade Benefits Americans

Fair Trade is not about charity. It is about a model of international trade that is as ethical as it is profitable for participants all along the supply chain. Fair Trade Certified products give American companies a way to conduct business in accordance with their values and with the values of a growing number of customers who care not only about how their food tastes, but also about the conditions under which it was produced.

The market for Fair Trade Certified products in this country has grown by more than 75% every year since TransFair USA’s founding, and TransFair USA now partners with more than 440 coffee, tea, chocolate, and fruit companies that make Fair Trade Certified products available to consumers from coast to coast, in more than 20,000 retail outlets. The US Fair Trade market has experienced explosive growth over the past six years because the model works as well for businesses and consumers as it does for farmers and farm workers. ■





*“Fair Trade is the reason El Guabo exists,  
and the reason that some of its small producers still exist.”*

Jorge Ramirez, President of El Guabo banana cooperative, Ecuador.



## Fair Trade Certified Fruit: New Markets and a New World of Opportunity for Farmers and Farm Workers

Through access to the US Fair Trade market, the 193 smallholder farmers of El Guabo’s three cooperatives have improved the quality of their products and the quality of life for themselves and their 1000 employees. Cooperative members have developed their own export infrastructure, and no longer depend on intermediaries for their international shipping. This enables them to retain more of the value of their fruit.

As a result of increased income, El Guabo can offer its members access to a microlending program, educational opportunities, and quality-improvement services provided by local agronomists.



Bananas are America’s favorite fruit. They are the most purchased item in US grocery stores, and are eaten by some 96% of the US population. According to the US Department of Agriculture, Americans consume an average of more than 26 pounds of bananas per capita annually—that’s over ten pounds more per person per year than the all-American apple, a distant runner-up.

But because many intermediaries—including ripeners, distributors, and exporters—stand between banana-growing families and the produce sections in our supermarkets, people who depend on fruit for their livelihoods are all too often unable to make ends meet. For workers on plantations the situation can be especially dire: in Ecuador, the world’s leading banana exporting country, the Ministry of Labor estimates that a fully employed banana worker earning minimum wage makes less than half the average cost of living. That makes it more difficult to keep children in school and off of the banana plantations themselves. The international NGO Human Rights Watch observed children as young as ten working on conventional Ecuadorian banana plantations in 2002 for as little as half the minimum wage, while risking life-threatening exposure to pesticides and fungicides to which, as children, they are especially vulnerable<sup>1</sup>.

This kind of story is not unique to bananas. It is repeated on plantations across Latin America, Asia, and Africa where tropical fruits that Americans enjoy every day are grown, which is why TransFair USA is proud to offer a more sustainable solution with Fair Trade Certified fresh fruit. ■

— Human Rights Watch, “Tainted Harvest.”



# A Sweet Deal: American Businesses Respond to Fair Trade Certified Fresh Fruit



*“Fair Trade is a very direct way  
of helping out the farmers.*

*We call it ‘trade, not aid.’*

**John Musser, CEO of Jonathan’s Organics**

Fruit importers, distributors, and retailers across the country have responded enthusiastically to the introduction of Fair Trade Certified fresh fruit, which can now be found in hundreds of stores, in states from coast to coast. In 2004, TransFair USA certified over eight million pounds of bananas from Ecuador, all organic, along with over 470,000 pounds of Costa Rican pineapples, more than 100,000 lbs. of mangoes from Mexico and Peru, and over 9,000 pounds of organic table grapes from South Africa.

Every Fair Trade Certified fresh fruit sale made to a US licensee also represents an important and mutually beneficial new relationship that promises US companies access to some of the finest produce on the planet while offering Fair Trade Certified fruit growers lucrative new outlets for their products.

In 2004, Fair Trade fruit provided leading US banana company Turbana – a company that commands some 5% of US market share – an opportunity to differentiate itself in a fiercely competitive market. At the same time, income from Fair Trade fresh fruit has built a health program for

the 150 farmers of the ASOPROBAN banana cooperative in Colombia, together with their employees and their families, providing sorely needed services to a region plagued by violence and corruption. Here in the United States, the introduction of Fair Trade Certified fresh fruit has given leading natural foods retailer and pioneer Fair Trade supporter Wild Oats Markets a means to deepen its commitment to Fair Trade’s high standards. Wild Oats is today among the leading distributors and retailers of Fair Trade Certified bananas and other fruit.

Together, American companies working with the global network of Fair Trade fruit producers are proving that an approach to fresh fruit can be as beneficial for the planet and the people who grow it as it is for US businesses and their customers. ■

## POSTCARD FROM PERU

Since we are committed to organic methods of production, we practice biological pest control and pruning techniques to control pests naturally.

Manuel Castro Siancas, farmer, Valle del Chira, cooperative. Valle del Chira has expanded their Integrated Pest Control systems to include an organic conversion program.

## Produce Marketing Association Fresh Summit 2004: Fruit Producers Take Their Place at the Table

In October, 2004, TransFair USA coordinated the participation of Fair Trade fruit farmers from Central and South America in the Produce Marketing Association’s Fresh Summit in Anaheim, CA. The PMA Fresh Summit is the largest fresh fruit and vegetable convention in the world. Eight banana producers from Ecuador, a banana producer from Costa Rica, two mango producers from Peru, and three pineapple producers from Costa Rica attended the event with TransFair USA staff in 2004. The fruit growers were the talk of the convention, and had the opportunity to speak both with industry representatives and curious US consumers.

### Environmental Benefits of Fair Trade Certified Fresh Fruit

Like all Fair Trade Certified products, Fair Trade fruit is designed to be better for the environment as well as for the people who grow it. Fair Trade standards forbid the use of the most dangerous agrochemicals sometimes used on fruit plantations – including all of the Pesticide Action Network’s “dirty dozen,” the World Health Organization’s Class 1a+b, and the Food and Agriculture Organization/United Nations Environment Program’s Prior Informed Consent Procedure agrochemical lists – and mandate the implementation of Integrated Pest Control (IPC) systems that systematically replace chemical inputs with natural control mechanisms.

*“We have been able to cut fertilizer use by half and have started using animal manure. We have stopped using herbicides, and the groundcover between plants is attracting back the wildlife.”*

**Deris Ariza**, member of the Asoproban banana cooperative, Colombia

### Fair Prices for Premium Freshness

Fair Trade Certified bananas, pineapples, mangoes, and grapes offer farm workers and small farm owners a floor price for their crops that enables them to recover their costs of production and reinvest in their communities, as well as providing higher wages and internationally monitored working conditions for employees. As on all Fair Trade farms, fruit plantation workers must be free to organize, and to control their working conditions through collective bargaining.

*“With Fair Trade, I can remain a farmer and not go hungry. With Fair Trade, unlike with most banana companies, the price is stable and fair, and the quality conditions are also higher. Now I have clean water wells and clean packing stations. I’ve changed many things and now I can live more peacefully.”*

**Hortensia Beltrán**, farmer at El Guabo banana cooperative in Ecuador

*“We’re not millionaires, but we’re proud of being in Fair Trade. We can help each other and we can help our workers.”*

**Renson Benite Gonzalez**, banana grower at El Guabo



# Fair Trade Certified™ Coffee: Expanding Markets, Investments in Community

In 2003, Fair Trade Certified™ coffee became the fastest-growing segment of the \$9 billion US specialty coffee market. It would be a tough act to follow by any measure, but the US market for Fair Trade Certified coffee continued to astound in 2004. We certified almost 33 million pounds of coffee, which represented market growth of 76% over 2003. With an estimated annual retail sales value of just over \$369 million, Fair Trade coffee's share of the specialty coffee market nearly doubled, rising to 4.1% from 2.3% in 2003.



The number of coffee companies licensed to use TransFair USA's Fair Trade Certified label continued to increase throughout the year: 93 new roasters and ten new importers brought the total number of coffee licensees to more than 370. This represents growth of nearly 40% over 2003.

When market prices for coffee averaged only \$0.76 per pound, and prices paid by local middlemen could fall as low as twenty cents, Fair Trade cooperatives were guaranteed a floor price of at least \$1.26 for conventional coffee, and \$1.41 for coffee that was also certified organic. Even when market prices for Fair Trade Certified coffee and other commodities rise, as they did for coffee at the end of 2004, Fair Trade standards guarantee that farmers will always earn a premium above the market price.

Receiving the Fair Trade price for their products enabled coffee farmers and farm workers in eighteen coffee-growing countries to earn \$26.2 million more selling to the US Fair Trade market than they would have earned selling to local intermediaries. ■



## The Impact of Fair Trade on Families

During the rainy season in Piura, members consume the majority of their food reserve. In the past, this forced CEPICAFE's members to pre-sell their crops at exploitative prices that compounded the poverty faced in the region. CEPICAFE has created a credit program to combat this problem, and families are now able to buy food and send their children to school during the rainy season without compromising their Fair Trade income.

More than 80% of the farmer organizations selling to the US Fair Trade market in 2004 invested some of the additional revenues they earned as a result into health and education programs in their communities. These health and education programs benefit as many as 400,000 people in some of the poorest countries in Latin America, Africa, and Asia. Fair Trade revenues from the US market have been used to fund scholarships and other educational programs in coffee cooperatives and tea gardens in more than 20 countries, from Haiti to Indonesia. In many cases, children of Fair Trade farmers are the first in their families to receive more than a primary school education.

The coffee farms of the Quinchía region are Colombia's smallest, and survival before Fair Trade was a struggle for APECAFE's 349 members. Along with education and women's programs, the cooperative today invests a portion of its additional Fair Trade revenues in quality-improvement programs such as organic certification, designed to help APECAFE members earn even higher Fair Trade incomes from their crops. In 2004 alone, 41 APECAFE members achieved organic certification. ■

### LETTER FROM COLOMBIA:

Though I am not a coffee farmer myself, I am very happy to be the daughter of one. In my town we are grateful for the benefits that Fair Trade revenue has provided us.

Thanks to Fair Trade I have completed my university studies, and received a degree in Electrical Engineering. Without the support of Fair Trade I would never have been able to make my dream a reality. This year three more students like me will graduate from the university, and many other students will be able to complete their elementary and secondary studies.

**Gloria Patricia Betancourt, 21, daughter of a member of the Association of Small Coffee Producers of Quinchía, Colombia, or APECAFÉ.**

### LETTER FROM PERU

Fair Trade has transformed coffee production into a dignified and profitable occupation for farmers. Our members are very proud that they export their Fair Trade and organic coffees to the international markets.

**Santiago Paz  
Manager, CEPICAFE, Piura, Peru**





*“APARM began to sell its coffee at the Fair Trade price and I regained hope for a better future. Thanks to Fair Trade, my family now owns a house, all four of my children have finished primary school, and two are currently attending high school. Our situation has greatly improved because of Fair Trade — I would like to say thank you to all who support this movement.”*

**Yldefonso Riva Trigos**, founding member of APARM coffee cooperative, Amazonas, Peru



## Cup of Excellence Nicaragua

The Cup of Excellence is a program designed to recognize the finest coffees produced in countries throughout Latin America. Coffees are cupped by an international panel of experts, and the winners are considered the very best their countries of origin have to offer.

In the Cup of Excellence Nicaragua competition in 2004, eight of the top ten coffees came from members of Fair Trade cooperatives. A third of all coffees that qualified for the final round of the competition were grown on Fair Trade farms. Their scores ranged from an amazing 91.4 to 88.4 points out of 100, a clear reflection of the additional resources and care Fair Trade farmers can afford to invest in their crops thanks to Fair Trade revenues.

World-renowned coffee expert Kenneth Davids and other experts at The Coffee Review, the world's leading coffee buying guide, gave Fair Trade Certified coffees evaluated during 2004 an average score of 87.3 points out of 100, a score that beat the average for non-Fair Trade coffees, and that has risen every year since 2001.

The Roasters Guild, who include among their members some of America's foremost coffee tasters, selected Durham, NC licensee Counter Culture Coffee's Fair Trade Organic Ethiopian Harrar (Oromia) blend as the best of 10 blends at their 2004 'Mocha Java Challenge:

### POSTCARD FROM NICARAGUA

“If it had not been for Fair Trade and the opportunities that SOPPEXCCA has provided for women, I never would have had the opportunity to participate in cupping competitions, and I never would have known that my coffee is among the best in Nicaragua.”

**Rosa Adilia Toledo**, member,  
SOPPEXCCA coffee cooperative, Nicaragua

## Fair Trade Certified: Investments in Quality

Fair Trade revenue enables farmers and farm workers to invest in the quality of their products as well as the wellbeing of their communities. Fair Trade makes technical assistance, training, and infrastructural improvements—such as cupping labs, where coffees are tasted and exactly evaluated, to assess their quality and unique flavor characteristics—possible for thousands of farmers. Farmers learn the skills they need to understand just what their US buyers are looking for, and earn the means to achieve it.

These investments in quality are paying off, and proving beyond a doubt that Fair Trade Certified products aren't just better for the people who grow and harvest them. As a growing number of consumers, chefs, critics, and food experts are learning, they're also among the finest foods in the world. .

## Fair Trade Certification promotes community development and empowers farmers with the ability to improve their products

The award-winning coffees of SOPPEXCCA offer a shining example of the difference Fair Trade, and TransFair USA's expanding Global Producer Services programs, can make. Rosa Adilia and more than 650 other farmers at SOPPEXCCA have been empowered to invest not only in the quality of their crops, but in their quality of life as well. Alongside coffee processing, quality evaluation, and organic conversion programs, SOPPEXCCA has been able to invest Fair Trade revenues into a fund specifically dedicated to women's empowerment and economic development projects. The cooperative's investments have a positive impact on their neighbors, as well. The cooperative has also built a school, and provided local children with school supplies and a school lunch program. ■



# TransFair USA and Fair Trade: Empowering People Around the World

Every day, Fair Trade is making it possible for people in 50 countries across Latin America, Africa, and Asia to achieve dramatic, sustainable improvements to the quality of life in their communities. Here are just a few examples.

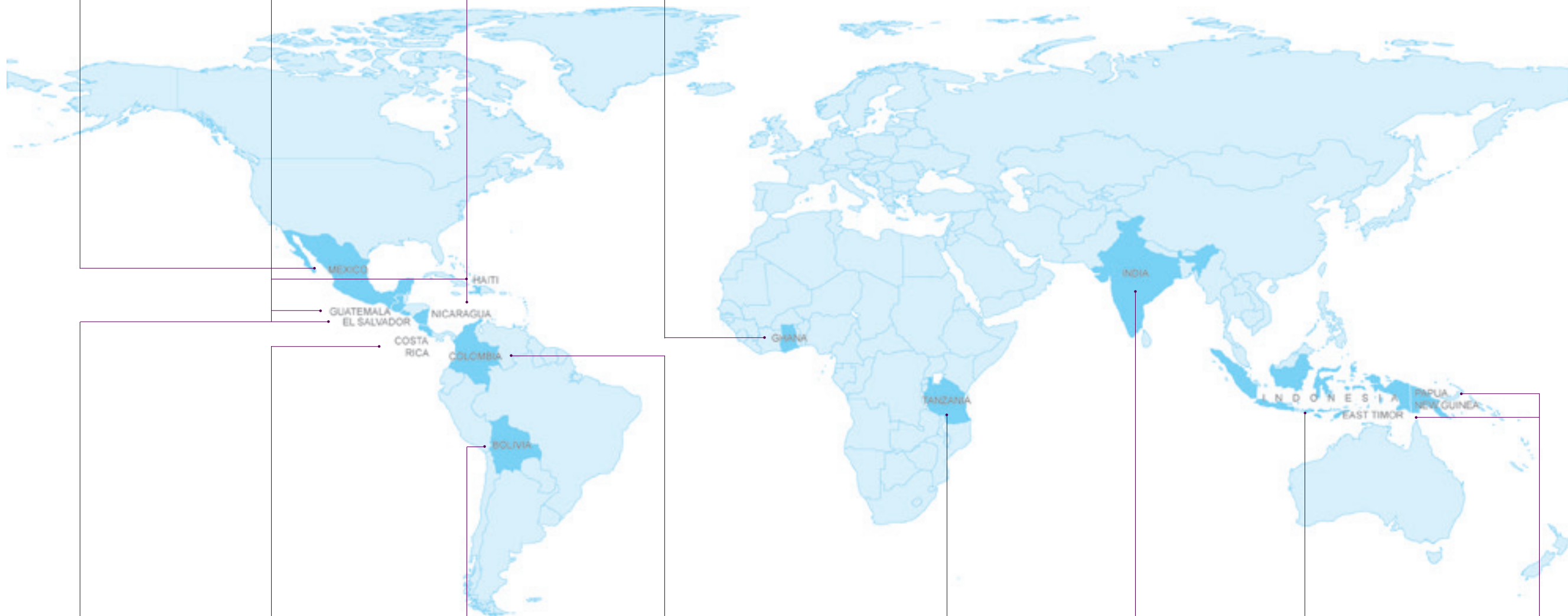
**In Mexico,** Fair Trade has helped the members of Chiapas's CESMACH coffee cooperative protect the threatened cloud and rain forests of the El Triunfo Biosphere. The cooperative employs a team of agronomists to train members in sustainable agricultural practices. CESMACH was awarded the Ecological Merit Award by the Mexican government in 2003.

**In Haiti,** over 2000 families belonging to the COOPCAB coffee cooperative can keep their children in school thanks to Fair Trade.

**In Guatemala,** the Guaya'b coffee cooperative in the isolated Huehuetenango region can today provide its primarily indigenous members with health insurance.

**In Nicaragua,** members of the Soppexcca coffee cooperative have founded a women's cooperative, "Las Hermanas," (The Sisters), through which women smallholder farmers sell their coffee directly to American buyers, gaining essential income and invaluable international business experience.

**In Ghana,** the 35,000 members of the Kuapa Kokoo cacao cooperative own 33% of the UK-based Day Chocolate Company. Fair Trade provides them with the means to extend credit and banking services to their members and their community.



**In El Salvador,** members of the APECAFE coffee cooperative have access to potable water, because Fair Trade revenues made it possible for community leaders to invest in essential infrastructure.

**In Costa Rica,** Fair Trade makes it possible for the 1300 cacao farmers of the Association of Small Producers of Talamanca to practice sustainable organic agriculture and protect the Caribbean Biological Corridor, a region that is among Costa Rica's most important conservation areas.

**In Bolivia,** the 42 members of the Antofagasta coffee cooperative have implemented an empowerment program that provides local women with leadership skills training. Such women's programs can be found in Fair Trade farming communities throughout Latin America.

**In Colombia,** the ASOPROBAN banana cooperative has instituted a reforestation program using Fair Trade revenues. ASOPROBAN's members have also implemented health services and income diversification programs using Fair Trade revenues.

**In Tanzania,** the 80,000 members of the Kilimanjaro Native Cooperative Union (KNCU) coffee cooperative are building schools and providing scholarships for their children. According to KNCU member Matthew Matoli, "Fair Trade gives us hope and courage... we are able to better provide for our families."

**In India,** workers at the Oothu tea garden have used Fair Trade revenues to create a pension fund, among the first of its kind on Indian tea plantations. Oothu's Fair Trade revenues also provide college scholarships and life insurance for tea workers' family members. Says Kailani, a tea picker who has worked at Oothu for more than 35 years, "We are very proud of the contribution Fair Trade is making in our community."

**In Indonesia,** Fair Trade revenues made it possible for members of the Gayo Organic Coffee Farmers Association (PPKGO), in Aceh, Sumatra to provide humanitarian aid for victims of the devastating earthquake and tsunami that hit the region in December, 2004. PPKGO supplied eight truckloads of food for disaster victims, and cooperative members led teams of volunteers in the relief effort.

**In East Timor,** health clinics operated by Cooperativa Café Timor (CCT) provide an estimated 12,000 patients a month with free medical services thanks to Fair Trade coffee revenues.

**In Papua New Guinea,** Fair Trade has enabled the KWAY coffee cooperative to build an elementary school, and provide reproductive healthcare services to women in their extremely isolated rural community.



# Fair Trade Certified Tea: Dramatic Growth

2004 proved to be a banner year in the Fair Trade Certified tea market. TransFair USA welcomed 15 new licensees—four importers and eleven new blender/manufacturers—into a select community of leading premium tea companies including Choice Organic Teas, Eco-Prima, Republic of Tea, Frontier Tea, and Honest Tea. This nearly doubled the number of US tea companies that are today making a commitment to Fair Trade's high standards.



New flavored tea blends, bottled tea varieties, and, for the first time, Fair Trade Certified chai concentrates are bringing a wealth of new flavors to the world of Fair Trade Certified tea.

American tea drinkers are responding enthusiastically to this increased variety. TransFair USA certified over 180,000 pounds of tea in 2004, an increase of almost 82% over 2003. More than 99% of this tea was also certified organic, which means that a cup, bottle, or box of Fair Trade Certified tea sold in the US is sure to be as good for the health of the consumer and the planet as it is for the health and welfare of the people who picked it.

## Fair Trade Certified Organic Tea Gardens

The Koslanda Organic Tea Gardens are located in the cool, misty mountains of Sri Lanka's Uva District. This estate, home to 596 workers and their families, has been producing "the green gold of the mountains" since the mid-twentieth century and began selling to the Fair Trade market in 1998.

Koslanda transitioned to 100% organic and biodynamic production in 1992. The estate promotes the recycling of resources through the use of cover crops, inter-cropping, and animal and plant waste recycling. Koslanda not only implements environmentally sustainable methods of production, but also encourages bio-diversity by re-introducing indigenous flora and planting a variety of native products such as spices, coffee, and nuts.

The Koslanda Tea Estate is also committed to building a clean and healthy community for its workers. The plantation has provided transportation to the hospital, new latrines, re-roofing, and scholarships for higher education. ■



*"Without Fair Trade, nobody would be able to buy sewing machines, gas cookers, and other things that improve our daily lives."*

**M. Wimalawathy, Tea plucker, Koslanda Tea Garden.**

The Koslanda Tea Garden in Sri Lanka's Uva district, which produces up to 85,000 kilograms of organic black teas per year using sustainable, biodynamic agricultural techniques, is home to almost 600 tea workers and their families.





# Strategic Outreach and Special Events: Spreading the Word, and Keeping Good Company

**Fair Trade is driven by a mission to promote socioeconomic justice and environmental sustainability.**

At the same time, our work is building a market-based model for economic development that utilizes the power of the American consumer as a force to do good for some of the world's most disadvantaged people, all while giving US businesses a means to secure their access to the world's finest agricultural products. This unique combination of messages has found a range of receptive audiences among our allies in the NGO community and social justice movements, as well as our business partners and their customer bases.

This has given TransFair a wealth of opportunities to take part in public events designed to get the word out about Fair Trade, among both long-time allies and new members of the public.

*First Annual Fair Trade Month*



**The Fair Trade Month campaign mobilized individuals,** grassroots organizations, students, and businesses in an effort to raise the profile of Fair Trade Certified products among mainstream consumers and those already dedicated to Fair Trade. Major grocery chains including Kroger, Wegmans, Stop & Shop, and Wild Oats Markets held promotional sales in hundreds of their stores and outlets, while thousands of small cafés, churches, universities, schools, and other community organizations hosted special events to encourage consumers to purchase Fair Trade Certified products.

The centerpiece of Fair Trade Month 2004 activities was a farmer speaking tour that brought producers of Fair Trade Certified bananas and coffee from Peru, Ecuador, and Nicaragua to six cities on the coasts and in the Midwest: Seattle, Portland, Eugene, Milwaukee, New York, and Boston.

Broadcast and print media coverage of Fair Trade Month events included an Associated Press news story that reached news outlets in at least 35 markets nationwide, alongside television, radio, and print coverage from news sources that included New York National Public Radio affiliate WYNC, Fox News and NBC News stations in Milwaukee, Wisconsin Public Radio, and the NY Daily News. We estimate that combined media coverage in October alone reached audiences of at least 3.5 million viewers, readers, and listeners.



**The first annual United Students for Fair Trade Convergence brought together** approximately one hundred student leaders from all over the country, coffee farmers from Mexico and Nicaragua, NGO leaders, and TransFair USA representatives to discuss strategies for promoting Fair Trade on college campuses. The event took place February 13th-16th, 2004 on the UC Santa Cruz campus, and TransFair USA Strategic Outreach staff attended the event. Because students, along with faith groups and other grassroots leaders, are among the most important advocates for Fair Trade and Fair Trade Certified goods, USFT is an NGO at the forefront of the Fair Trade movement, and TransFair USA is proud to count them among our allies.

## Fair Trade Pavilion at Co-Op America/ Global Exchange Green Festival

**Green Festivals in Washington, DC and San Francisco,** co-sponsored by Co-op America and Global Exchange, welcomed as many as 30,000 guests dedicated to the pursuit of an alternative economy where the bottom line is not the only line. TransFair USA exhibited at the Festival's Fair Trade Pavilion, distributing information about the unique guarantees of Fair Trade Certified products alongside licensees including Green Mountain Coffee Roasters and Divine Chocolates, and Fair Trade advocates including alternative trade organization SERRV International.

## Schwab Foundation for Social Entrepreneurship Summit

**In November, 2004, Vice President for Policy and Development** Martha Jimenez, together with CEO Paul Rice, attended the Schwab Foundation for Social Entrepreneurship's annual World Summit in São Paulo, Brazil. The meeting featured five hundred select representatives of leading social enterprises, or mission-driven organizations like TransFair USA that use business tools to achieve social goals. Martha and Paul were honored to have the opportunity to meet with colleague organizations including leading microfinanciers ACCION International and Triodos Bank, high-end socially responsible goods retailer People Tree, and other organizations including TechnoServe, Global Giving, The Acumen Fund, and FUNDES. The Summit was dedicated to strategies for expanding the impact of social enterprises, and offered Paul and Martha valuable perspectives on TransFair USA's quest to scale up our operations and bring Fair Trade to the mainstream.

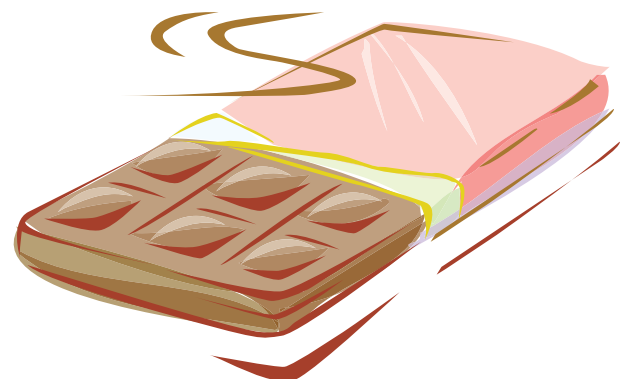
*Working with Civil Society Allies: First Annual United Students for Fair Trade (USFT) National Convergence*



# Fair Trade Certified Cocoa and Ingredients:

## Gourmet Quality, and a New Model for Corporate Social Responsibility in a Challenging Industry

*“Amid reports of child slavery on African cocoa farms, Fair Trade chocolate ensures co-ops ban forced and underage labor.”*  
 — Time Magazine, April 2004



During 2004, TransFair USA added twelve new cocoa and ingredients licensees. This nearly doubled the number of US companies working with Fair Trade Certified cocoa and other ingredients, bringing the total to 26 companies. These new chocolatiers, importers, and other manufacturers—among them, leading gourmet ice cream manufacturer Ben & Jerry’s, which released three ice cream varieties made with Fair Trade Certified coffee extract in 2005— are taking advantage of Fair Trade’s appeal to provide premium-quality products to consumers nationwide.

Fair Trade Certified chocolate tastes great. Because of this, and in part because Fair Trade is a guarantee against labor abuses, Fair Trade Certified chocolate imports and sales grew fast in 2004. TransFair USA certified more than 560,000 pounds of cacao, more than twice as much as in 2003, and our cocoa-product licensees reported sales of more than 330,000 pounds of labeled Fair Trade Certified products, which adds up to retail sales growth of more than 60% for the year.

But chocolatiers and chocolate consumers aren’t interested in Fair Trade Certified cocoa only because it’s better for the people who harvest it. With chocolate, manufacturers and consumers are looking for taste, and they’re finding it in Fair Trade Certified cocoa products. New cocoa licensee Endangered Species Chocolate Company’s Fair Trade Certified Baby Puffin Chocolate Bar was named Progressive Grocer Magazine’s Best New Product of 2004. Food critic David Rosengarten ranked Fair Trade pioneer Equal Exchange’s Fair Trade Certified hot cocoa mix in the top ten in an April, 2004 edition of his highly influential Rosengarten Report.

And while these products continue to delight American consumers from coast to coast, they provide the 9000 farmers of the CONACADO cooperative in the Dominican Republic, and the 35,000 smallholder farmers of the Kuapa Kokoo cooperative in Ghana, with resources for income diversification, education, schools, improved housing, better health systems, and more.

*A bite of Fair Trade chocolate means a lot to peasant farmers in the south. It opens the doors to development and gives children access to healthcare, education, and a decent standard of living.*

— **Ohemeng Tinyase**, Managing Director of Kuapa Kokoo cacao cooperative in Ghana.

Kuapa Kokoo’s 35,000 members own a 33% share in the UK-based Day Chocolate Company, which makes gourmet Fair Trade Certified Divine Chocolate bars available across the US.

## Bringing Quality and Responsibility to Mainstream Markets: Growing Retail Success for Fair Trade Certified Products

*This is the beginning of a movement, and we want to get in on it. We expect to serve 30 million Fair Trade lattes and cappuccinos this year.*

— **Ed Valle**, Marketing Director for Dunkin’ Donuts

All over the country, mass-market companies and the retailers they work with are waking up to the idea of Fair Trade Certified products both as a means to differentiate themselves from their competitors, and an approach that satisfies their customers’ desire for quality and for products that treat the people who produced them responsibly. TransFair USA’s vision for mainstreaming Fair Trade is built on the appeal of the Fair Trade model not only to consumers motivated by a concern for sustainability, but to consumers from all walks of life.

Our own Strategic Outreach and special events work demonstrates that Fair Trade has the potential to appeal to everyone. This conviction is borne out by the growing interest in Fair Trade among mass-market retail outlets including Safeway, Giant Foods, Stop & Shop, Wegman’s, and Target, which announced plans to introduce its own Target-brand Fair Trade Certified coffee varieties during 2004, for release during 2005.

As the number of Fair Trade Certified ingredients available for use in labeled products from Ben & Jerry’s ice cream to skincare products continues to increase, the power of American consumers to have a positive impact on people around the world will continue to grow.

We have strengthened our relationships with our clients. We have made new contacts and sold more coffee. It is important to maintain our relationships with buyers - this is one of their requests, in addition to quality coffee.



### POSTCARD FROM DOMINICAN REPUBLIC

The Fair Trade market is a very important market for the survival of our associates. With Fair Trade income we were able to implement a fermentation program to improve the quality of our cocoa and to convert our production to certified organic. This improved our position in the export market.

**Isidoro de la Rosa**, Executive Director of The National Confederation of Dominican Cocoa Producers (CONACADO).

### POSTCARD FROM NICARAGUA

We have strengthened our relationships with our clients. We have made new contacts and sold more coffee. It is important to maintain our relationships with buyers - this is one of their requests, in addition to quality coffee.

**Hamilton Rivera**, CECOCAFEN, Nicaragua



## Global Producer Support: Accessing the US Market, Succeeding in International Business

Fair Trade gives farmers and farm workers direct access to the US market, together with the tools and resources they need to succeed in it. Our Producer Relations team is dedicated to helping farmers like Santiago get the most out of market access, and out of their relationships with their US clients. We coordinate US sales tours and trade shows, produce promotional materials to highlight the availability and outstanding quality of Fair Trade Certified goods, and provide other services designed to make Fair Trade farms, tea gardens, and cooperatives even more successful international businesses.

## SCAA 2004: Unprecedented Attendance, Valuable Training, and Rave Reviews

The Specialty Coffee Association of America's (SCAA) annual trade show and conference is the largest coffee-industry event in the world. We were the first organization to bring smallholder coffee farmers to SCAA, and our Producer Relations team has worked hard to increase the number of cooperative representatives sharing our booth space each year. During SCAA 2004, in April in Atlanta, Georgia, we hosted over 100 coffee producers representing more than 40 cooperatives in 13 countries. The SCAA estimates that more than 8,000 people—including representatives of more than 70 companies offering Fair Trade products—attended the event.

At the two-day Fair Trade Forum prior to the show, Fair Trade coffee producers met with industry partners and NGO allies. TransFair USA staff and industry leaders conducted training seminars on the state of the Fair Trade market in the US, media relations strategies, and coffee quality improvement. In addition, financiers and Fair Trade allies from EcoLogic Finance and the Green Development Foundation were present to offer workshops on pre-harvest financing and related topics.

Fair Trade farmers participating in SCAA 2004 and sales tours organized by TransFair USA immediately before and after the show reported Fair Trade Certified coffee sales commitments worth approximately **\$4 million** as a direct result.

## Certification: Guaranteeing the Integrity of the Label

TransFair USA's Certification Department is committed to ensuring that Fair Trade prices and premiums make it all the way back to producers. In order to make this guarantee, the Certification team audits every transaction between licensees and the producer groups they source from. In 2004, the Certification team audited 23,000 coffee transactions, 1,250 fruit transactions, 400 tea transactions, and 325 cocoa transactions.

Working closely with our colleagues at FLO, with our own Producer Relations staff, and with industry partners, the Certification team is also dedicated to tracking global production and consumption patterns for Fair Trade Certified products, and identifying shortages in specific products or varieties in specific countries of origin. Better matching of US market demand with available Fair Trade supplies from around the world helps guard against harvest shortfalls or oversupplies, and keeps Fair Trade a profitable business model for everyone.

## Rewarding Businesses for their Commitment: An Improved License Fee Schedule

TransFair USA was delighted to be a rarity in 2004, when we lowered our prices. We reduced the license fees paid by companies offering Fair Trade Certified coffee by as much as half, moving from a flat fee of \$0.10 per pound for all licensees, to a sliding scale of between five and ten cents. Lower license fees are now available to US companies purchasing large volumes of Fair Trade Certified coffee, as well as to companies for which Fair Trade Certified purchases make up a high percentage of the total volume purchased. TransFair USA also launched an on-time discount incentive for licensees that report and pay license fees on time.



*“Fair Trade gives us a fair price and access to credit.  
It also gives us dignity. We are treated as equals.”*

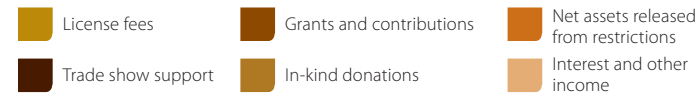
Santiago Rivera, member, Prodecoop coffee cooperative, Nicaragua

# Statement of Activities

For the Year Ending December 31, 2004

## TOTAL REVENUES **\$2,748,290**

License fees	\$1,895,392
Grants and contributions	\$531,032
Net assets released from restrictions	\$112,745
Trade show support	\$112,432
In-kind donations	\$89,963
Interest and other income	\$6,736

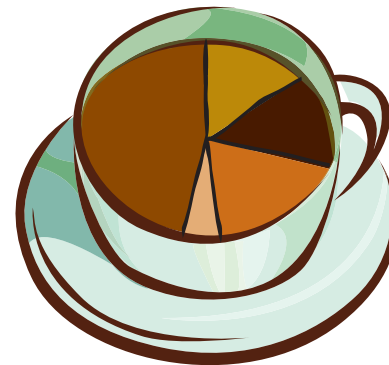
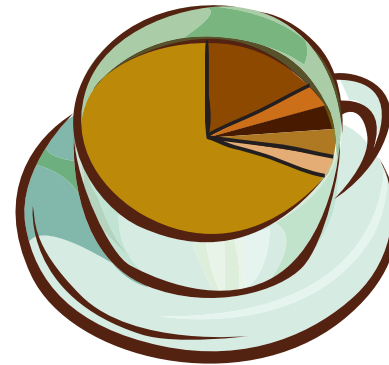
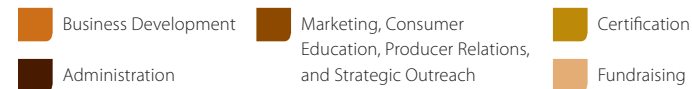


## TOTAL EXPENSES **\$2,935,649**

Business Development	\$541,678
Marketing, Consumer Education, Producer Relations, and Strategic Outreach Certification	\$1,286,149
	\$449,216

## TOTAL PROGRAMMATIC EXPENSES **\$2,277,043**

Administration	\$455,147
Fundraising	\$203,459



## TransFair USA Funders and Lenders 2004

Adrian Dominican Sisters  
 Banky-LaRocque Foundation  
 Catholic Healthcare West  
 Clorox Company Foundation  
 C.T. Bland Charitable Trust  
 Department of Economic Development and  
 Tourism of the State of Tabasco  
 DOEN Foundation  
 Dominican Sisters of Springfield  
 Dominican Sisters of San Rafael  
 Ford Foundation  
 Friedman Family Foundation  
 Give Something Back  
 Green Development Foundation  
 Idyll Development Foundation  
 JOLT Coalition  
 Microsoft Giving Campaign  
 National Wildlife Federation  
 Presbyterian Hunger Program  
 Rockefeller Foundation  
 RSF Advised Fund of the Rudolf Steiner Foundation  
 Rudolf Steiner Foundation Global Community Fund  
 St. Joseph Female Ursuline Academy  
 St. Joseph Health System  
 Schwab Foundation for Social Entrepreneurship  
 Sinsinawa Dominican Sisters  
 Sisters of Charity of New York (Bronx)  
 Sisters of Charity of Cincinnati  
 Sisters of Charity of St. Elizabeth  
 Sisters of Charity of St. Vincent de Paul  
 Sisters of Loretto  
 Sisters of St. Francis of Philadelphia  
 Sisters of the Holy Names  
 Sisters, Servants of the Immaculate Heart of Mary  
 Stephen M. Silberstein Foundation  
 Small Planet Fund  
 TAUPO Community Fund (Community Foundation of Silicon Valley)  
 Tinker Foundation  
 Ursuline Sisters of Mount St. Joseph  
 Working Assets Reforestation Fund

## In-Kind Supporters

Devine & Pearson  
 Goulston & Storrs  
 Hill & Knowlton  
 Network Mechanics

## Executive Staff

Paul Rice  
 President and CEO  
 Steve Sellers  
 Chief Operating Officer  
 Owen Brown  
 VP of Finance  
 Martha Jiménez  
 Vice President for Policy and Development  
 Kimberly Easson  
 Strategic Relationships Director  
 Christopher Himes  
 Vice-President for Certification  
 and Trade Development.  
 John Keathley  
 Operations Director  
 Jeff Cryans  
 Director of Coffee  
 Sandra Beaton  
 Director of Retail and Hospitality

## Board of Directors

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 (Chairman of the Board)  
 Michael E. Conroy  
 Rick Larson  
 Carlos Alberto Vargas Leitón  
 Douglass T. Lind  
 Pedro F. Mata  
 Paul Rice, Ex officio  
 (President and CEO, TransFair USA )  
 Peggy Saika  
 Michael Shimkin  
 Kristen Grimm  
 Corinne Florek





## TransFair USA in the News

During the course of 2004, more than 40 articles per month were written about TransFair USA and Fair Trade, in publications—including leading food industry trade magazines, Time, and newspapers from the New York Times to the Sacramento Bee—that reached a combined circulation of more than 98 million readers across North America.

*The big guns are stepping in not merely because they pity poor farmers, but because they sense a competitive edge.*

Time Magazine "Inside Business," April 2004

*Fair Trade creates an integrated, self-sustainable balance between quality of life, business, the environment, and social commitment.*

Jon Stocking, owner of Talent, OR licensee Endangered Species Chocolate Company, in the January/February issue of Organic Products Retailer

*Though most of the \$19.2 billion US coffee industry remains flat, the gourmet sector is growing – and Fair Trade sales are growing fastest of all, about 46% a year.*

USA Today, February 16

*There's a new way to save the world: grocery shopping. . . Fair Trade Certified food products are being embraced with surprising speed by some of the nation's biggest food marketers—and not just the alternative natural food stores.*

The Wall Street Journal, February 17

*The idea is that if you buy coffee – or other foodstuffs like tea, chocolate, and fruit – with a "Fair Trade Certified" label, you know that farmers on the other end have been fairly compensated.*

The New York Times, June 6

*According to Specialty Foods Magazine, the time is right for Fair Trade. In a survey earlier this year, they found that 81 percent of Americans say they are likely to switch brands to support a cause when price and quality are equal.*

4/03/2004 | The Oakland Tribune

*"People may think, 'What's a few more cents a cup going to do?' Well, it does a lot. It's pretty powerful what we as individuals can do, even if we don't see it first-hand."*

Allis Druffe, parish director for the Holy Family Church in South Pasadena, Calif., Oct. 7, 2004 Los Angeles Times

*"LOHAS' consumers, which stands for 'lifestyles of health and sustainability,' (is) a term coined to describe the popularity of products tied to interests such as yoga, organic food and products that espouse social consciousness. Last year about 32% of U.S. consumers qualified as LOHAS, according to the Natural Marketing Institute, a health-products consulting firm in Harleysville, Pa., meaning they were 'significantly' motivated in their purchases by concern for their health and the environment. That number was up from 30% the previous year."*

2/17/2004 | The Wall Street Journal

*"The [plantation] workers are all very poor. It is a hard life in the best of times," says Anupa Mueller, owner of the Makaibari plantation in Darjeeling, India. "The fair-trade premium allows them to have that something extra."*

*Those fair-trade-funded extras at Makaibari have included college scholarships, health care, small-business loans, and the installation of sanitation facilities. Jamuni Mangarni, a 45-year-old unemployed woman living near the Makaibari plantation, used a fair-trade microloan to buy a cow and then turned the resulting dairy and manure products into a successful small business. She eventually paid back the loan and now supports her family from earnings on the cow.*

5/2004 | The World and I

*For savvy retailers, socially conscious issues such as Fair Trade are becoming a lucrative hot button. Fair Trade tends to appeal to the same shoppers who deeply care about health qualities and often buy pricey, organic food.*

*"For anyone who thought that niche marketing was gone, it's not," says Barbara Brooks, president of The Strategy Group, a consulting firm. "And this is one of those areas where it will only grow."*

1/20/2004 USAToday

*Sonja Tuiteli, a spokeswoman for Wild Oats, said the company switched to selling exclusively fairly-traded organic coffee in 2002. While the stores raised prices about 10 percent, sales shot up 21 percent.*

*"The customer response to that was just incredible," Tuiteli said. "Even though it's fair trade and organic, customers aren't going to buy it if it doesn't taste good."*

Jan. 24, 2004, The Patriot Ledger



### APARM began to sell its coffee at the Fair Trade price and I regained hope for a better future.

*Thanks to Fair Trade, my family now owns a house, all four of my children have finished primary school, and two are currently attending high school. Our situation has greatly improved because of Fair Trade—I would like to say thank you to all who support this movement.*

-Yldefonso Riva Trigoso, founding member of APARM coffee cooperative, Amazonas, Peru

### Thanks to Fair Trade

Yldefonso and more than 300 other smallholder coffee farmers in northeastern Peru are enjoying dramatic improvements to their quality of life. Just as Yldefonso extends his gratitude to the dedicated consumers and activists around the world who make APARM's Fair Trade success story a reality, so TransFair USA thanks the foundations, communities of faith, and generous individual donors whose tax-deductible gifts and low-interest loans have helped make our own growth possible.

Thanks in large part to our visionary funders, lenders, and individual donors, the \$2.1 million we spent in 2004 on our Certification, Outreach, Communications, and Producer Relations programs was leveraged into more than \$26 million in above-market pricing and additional income for almost a million Fair Trade farmer and farm worker families in 23 countries in Latin America, Africa, and Asia.

This **9:1 social return on investment** is extraordinary in the world of international development. But even more extraordinary are the things these returns are making possible every day in the lives of the farmers and farm workers around the world that we serve.