

Annual Report 2007



An Inspiration for Change

Fairtrade Labelling Organizations International



An Inspiration for Change

Fairtrade Labelling Organizations International (FLO) — Annual Report 2007

FLO's 2007 annual report comes at a pivotal moment in the life of the organization. This year we celebrated ten years of momentous growth and change, which included these landmark events:

1997 FLO was established, bringing together all Fairtrade Labelling Initiatives under one umbrella and introducing worldwide standards and certification.

2002 The international FAIRTRADE Certification Mark* was launched. The Mark would eventually replace the different national labels and facilitate cross-border trade.

2004 FLO split into two organisations to separate the role of certification from the setting of standards and support services. FLO-CERT carries out inspections and audits, while FLO develops standards and supports the producers and member organizations.

2007 Inspired by the groundbreaking achievements of our first decade, in 2007 FLO started a major strategic review involving all stakeholders to look ahead at Fairtrade's future.

In this report we outline how Fairtrade works, our achievements in 2007 and our direction for the future.

Inspiring achievements of 2007

- Global sales increase by 47 percent
- First South to South Fairtrade products
- Agreements are made to increase Fairtrade Minimum Prices for coffee
- Introduction of Fairtrade Minimum Prices for tea
- Producer Networks became full members and owners of FLO

* The FAIRTRADE Certification Mark is also referred to as the FAIRTRADE Mark.

Message from Barbara Fiorito

Chair of the Board of Directors



2007 marked the tenth anniversary of FLO. The incredible growth of Fairtrade over the last ten years has been achieved through the dedication and hard work of remarkable people. I would like to take this opportunity to thank all the staff at the national Labelling Initiatives, FLO, partner organizations, the wider fair trade movement and licensees. Their belief in Fairtrade has secured a better future for millions of growers and their families. Their work has made it possible for consumers to shop in solidarity with producers and in alignment with their principles. To all of those who are making this possible I express my profound gratitude.

Looking back at the last decade I am very proud of what we have all achieved. By the end of 2007 Fairtrade sales exceeded 2.3 billion euros – almost seventy times more than ten years ago. It means 7.5 million people now benefit from the better deal that Fairtrade brings.

In 2007 for the first time producers joined the FLO Board. These producers can now more actively engage in decisions that affect their future.

Representing networks in Africa, Asia and Latin America, they will help to shape the direction of Fairtrade as equal partners.

During 2007 the newly expanded FLO Board agreed changes to standards that will see improved trading conditions and better prices for coffee and tea growers. First, there will be an increase in the price paid to coffee growers. From June 2008 the Fairtrade Minimum Price for arabica coffees will rise to reflect more closely the true cost of production. This will allow farmers to make a decent living, particularly when the market price is below the cost of growing the crop.

Second, Fairtrade Minimum Prices for tea were integrated into Fairtrade standards to ensure that the price covers the cost of production. This is in addition to the Fairtrade Premium that is used by workers to improve their quality of life. Looking forward we are now gearing up for the next ten years. Led by our new CEO, Rob Cameron, our central aim will be to expand and deepen the impact of Fairtrade for disadvantaged producers.

Table of Contents

03	Message from Barbara Fiorito	17	First Minimum Prices for Tea Introduced
05	Message from Rob Cameron	18	New Fairtrade Minimum Prices for Arabica Coffee
06	FLO Members	20	FLO Support Inspires Fairtrade Producers
07	FLO and the FAIRTRADE Mark	21	FLO's Presence in Producer Countries
09	Fairtrade Certification	22	Inspiring Highlights from 2007
11	Ethical Consumers Inspire Worldwide Growth	25	FLO Summarized Accounts
11	Estimated Sales Volumes by Product 2006/2007	26	FLO Balance Sheet
12	Estimated Retail Value of Fairtrade Certified Products	28	FLO Board and Members
15	South to South Fairtrade	30	FLO Staff and Donors



Photo — Frédéric Raevens

Malian woman testing a towel made with her Fairtrade certified cotton



When producers meet consumers

“Before we were Fairtrade certified we didn’t have a fixed salary and I was only hired per hour. Now I have a permanent employment, a fixed salary and a greater possibility to provide for my family. But we also get other benefits such as access to transportation, running water and medical support, and we benefit directly from the use of the Premium.”

Domingo Gómez Villalona, a worker at Hacienda Paso Robles, a Fairtrade certified banana plantation in the Dominican Republic. During Fairtrade Week in Sweden, Domingo visited a supermarket where the bananas he picks are being sold. He provided first-hand information to consumers about what Fairtrade really means for workers like himself.



Message from Rob Cameron

Chief Executive Officer

In November 2007 I was privileged to join the Fairtrade world as CEO of FLO. This is an exciting time to become a part of this great movement. Fairtrade sales are up to 2.3 billion euros, the number of Fairtrade certified producer organizations is up to 632*, our number of certified traders is over 800, and many of them are launching a wide range of new products.

Although the numbers are exciting, behind the numbers is an even more compelling story. I’ve quickly learned that Fairtrade is about people, not statistics. Fairtrade’s focus is to empower people.

Through the FAIRTRADE Mark, producers secure greater control over their lives and futures, and consumers around the globe can express their support for fairer conditions in global supply chains. Making that direct human link between producer and consumer is one of the most important things we can do.

In this report you will see examples of how producers have directly benefited from Fairtrade – but these are just the tip of the iceberg, for throughout the global south there are hundreds of thousands of similar stories to be told.

Creating a strategy for the future

Fairtrade has enjoyed a decade of success and has become the most recognized and successful ethical label in the world. Therefore, it is appropriate to honour the past and in particular the extraordinary work of my predecessor Luuk Zonneveld to whom the Fairtrade world owes a debt of gratitude. Luuk played a crucial role in managing Fairtrade through a period of enormous growth and transformation.

Now, we must turn to the future and build a structure for Fairtrade that meets the new challenges we face. These include:

- managing Fairtrade’s growth
- enhancing its impact still further
- deepening the connection between consumers and producers
- improving efficiency for producers and licensees, and
- responding to external challenges such as climate change, rising food and commodity prices and currency fluctuations.

My colleagues had begun to address many of these challenges by initiating a major strategic review before I joined Fairtrade. I am now driving that process forward. Although still underway, there are some aspects of the process that deserve mention. First, and most impressive to me as a newcomer, is the collegiate manner in which the review is being conducted. All parties are participating and producers are involved as equal partners in a common endeavour.

The second aspect is the evident need for Fairtrade – so many producers rely heavily on our system for economic security and many other benefits. The third, and perhaps most heartening of all, is the scale of the opportunity – consumers globally are showing their solidarity with their fellow citizens. Our job is to be sure that they can continue to express this support with confidence and pride.

In just a few months, I have met some of the most inspirational people I have ever worked with. In the coming years, I look forward to meeting many more and to contributing to the growing success of this exceptional movement.

* This represents 1.5 million farmers and workers.



FLO Members

The mission of FLO is to connect consumers and producers through a FAIRTRADE Certification Mark. The FAIRTRADE Mark signifies a better deal for the growers. It enables disadvantaged producers to combat poverty, strengthen their position and take more control over their futures.

Fairtrade Labelling Organizations International is a not-for-profit, multi-stakeholder association. Its membership is open to Fairtrade Labelling Initiatives and Producer Networks:

Labelling Initiatives are national organizations which license companies to use the FAIRTRADE Mark on consumer products and promote Fairtrade in their countries.

Producer Networks are associations which Fairtrade certified producer organizations may join if they wish, and which are recognised by FLO as the representative bodies of farmers and workers.

FLO currently comprises 23 member organizations – 20 Labelling Initiatives and three Producer Networks.

How FLO is governed

The FLO Board is primarily responsible for the strategic direction of the organization, financial and risk management, and relations with the organization's Chief Executive Officer. The Board also appoints members to its three committees that provide expertise and oversight in three key areas: standards, finance and nominations.

Producer Networks and Labelling Initiatives hold regular assemblies to allow their members to discuss common issues. These assemblies are followed by an annual general assembly of all members, where issues such as strategy, membership and approval of annual accounts are discussed. Members of the FLO Board of Directors are also elected during general assemblies.

FLO and the FAIRTRADE Mark



The FAIRTRADE Mark is a certification label that appears on products. It lets consumers know that the farmers and workers who supplied the raw materials are getting a better deal. The Mark is owned and protected by FLO on behalf of its twenty members, the national Fairtrade Labelling Initiatives. Products displaying the FAIRTRADE Mark must meet international Fairtrade standards developed by FLO.

Development of Fairtrade standards

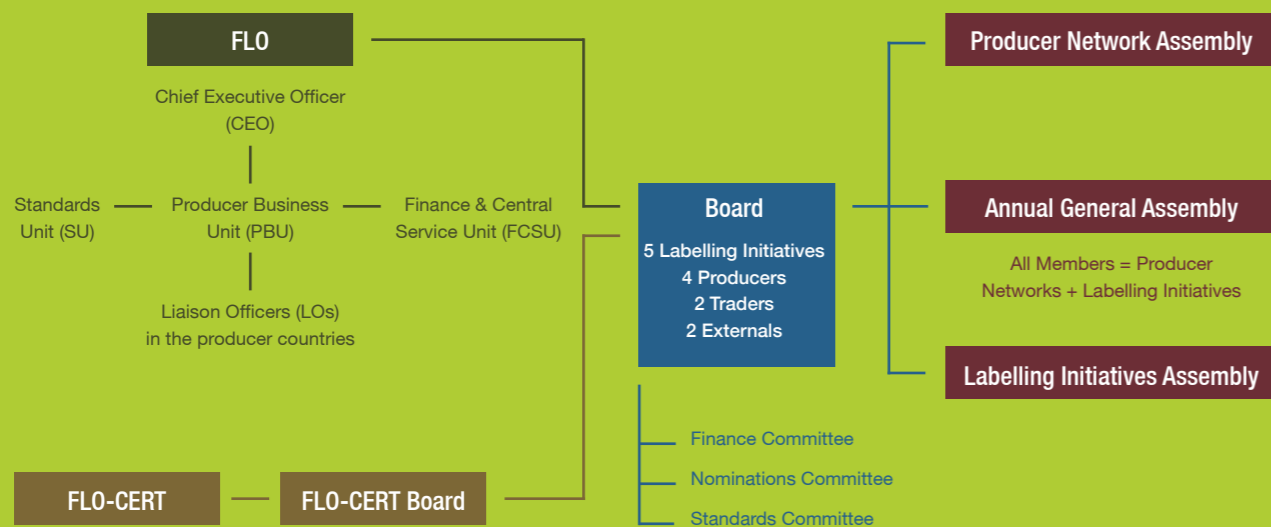
FLO is responsible for developing and maintaining the Fairtrade standards. These include criteria to be met by producer organizations as well as terms of trade for importers, exporters and the licensees – the companies who market Fairtrade certified products.

The Fairtrade standards are not simply a set of minimum standards for socially-responsible production and trade. By seeking to support the sustainable development of small-scale farmers and plantation workers in some of the poorest countries in the world, the Fairtrade standards go further. The key objectives of the standards are to:

- ensure that producers receive at least a guaranteed Fairtrade Minimum Price for their goods;
- provide an additional Fairtrade Premium which can be invested in projects that enhance social, economic and environmental development;
- enable pre-financing for producers who require it;
- facilitate long-term trading partnerships and enable greater producer control over the trading process;
- set clear minimum and progressive criteria to ensure that the conditions of production and trade of all Fairtrade certified products are socially, economically fair and environmentally responsible.

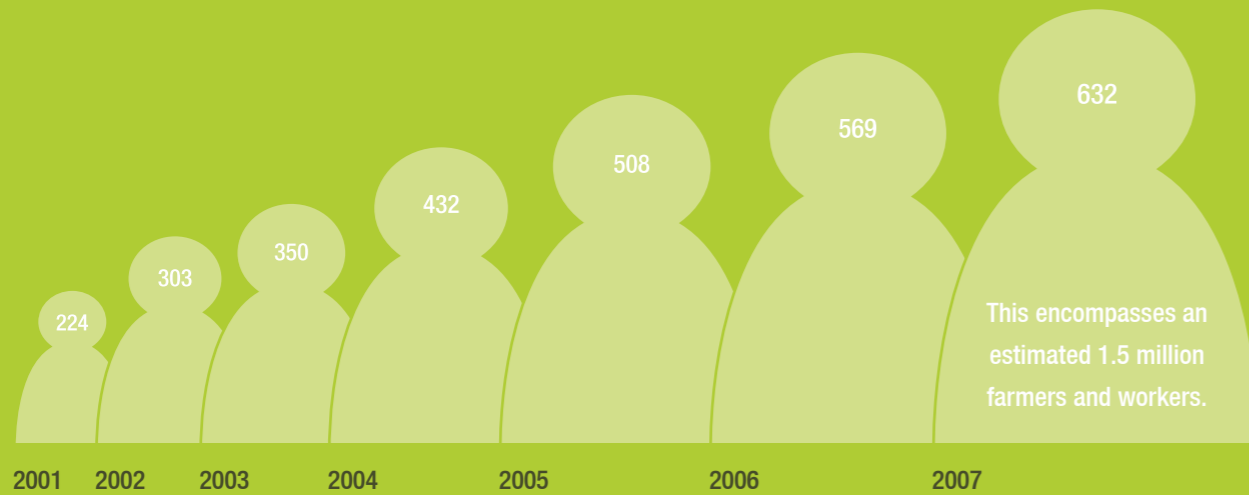
Fairtrade standards are set in accordance with the requirements of the ISEAL* Code of Good Practice for Setting Social and Environmental Standards. This means that the standards are set on the basis of consultations with the major stakeholders in the Fairtrade system. While FLO sets the standards and supports producers to meet them, a separate certification company, FLO-CERT, regularly inspects and certifies producers and traders against the standards.

* ISEAL is the International Social and Environmental Accreditation and Labelling Alliance: www.isealalliance.org



The early harvest at the Fairtrade certified Organic Jasmine Rice Producer Group in Thailand

Photo: Beate Pfnisch



The growing number of Fairtrade certified producer organizations from 2001 to 2007



Session of the FLO-CERT auditors training in October, 2007 which took place in Bonn, Germany

Producer support

The **FLO Producer Business Unit** supports producers to acquire and maintain Fairtrade certification and to capitalize on the market opportunities that are available to them. The unit's services are offered mainly through locally-based Liaison Officers working with Fairtrade certified producers in 42 countries around the world.

Partnerships

FLO is part of a worldwide network of Fair Trade organizations, known under the acronym of FINE.

FINE takes the first letter of each of its members' names: FLO, IFAT (International Fair Trade Association), NEWS (Network of European World Shops) and EFTA (European Fair Trade Association).

The four partner organizations represent the entire international Fair Trade movement. They are actively involved in supporting producers, awareness-raising, and campaigning for changes in the rules and practices of conventional trade. FINE runs a Fair Trade Advocacy Office in Brussels. Its role is to coordinate advocacy and campaigning on behalf of the four Fair Trade partners at European and international levels.

Fairtrade Certification

FLO-CERT is responsible for the inspection and certification of producer organizations and traders against Fairtrade standards. By checking compliance with Fairtrade standards, FLO-CERT ensures that relevant social and environmental standards are met and that producers receive the Fairtrade Minimum Price and Premium. Consumers can be confident that the international FAIRTRADE Mark is only used on products coming from Fairtrade certified producers and that traders meet their obligations under the Fairtrade standards.

FLO-CERT auditors are highly qualified, usually based in the countries and regions where they work, and familiar with local cultures, languages, and legal systems. All auditors are examined on their skills and receive annual training.

No producer organization can become certified without an initial on-site inspection. Many Fairtrade producer organizations are large, including hundreds and sometimes thousands of farmers. This makes it impossible for the auditor to visit every single farm. Accordingly FLO-CERT operates a 'group certification' model. This includes the audit of the producer organization itself as well as random checks of a representative sample of individual farmers.

A full Fairtrade audit can last from four days for a small producer organization and up to six or seven weeks for the largest cooperatives. The time the auditor spends on the ground depends on the size of the producer organization, its complexity, and the number of certified products it is seeking to sell.

The cost of certification is dependent on the number of working days required to inspect the producer group. Following an audit, a report is sent to FLO-CERT for evaluation. The decision to certify is taken by a specialized certifier, who is supervised by an independent certification committee.

After they receive their initial Fairtrade certification, producers are inspected on-site on an annual basis. In some circumstances, where organizations have demonstrated excellent compliance over many years, they may qualify for a 'desk-top' review as part of a three year inspection cycle.

In order to guarantee the credibility of the FAIRTRADE Mark, the Fairtrade labelling system operates an independent, transparent and globally consistent certification system that follows the requirements of ISO 65*.

* ISO 65 is the international quality norm for certification bodies. More information on FLO-CERT: www.flo-cert.net



The journey of Fairtrade certified orange juice from the tree in Brazil to the supermarket in Germany

A Fairtrade certified cotton farmer in Mali relaxing on his bounty



Photo - Frédéric Raevens

Ethical Consumers Inspire Worldwide Growth

From Northern Europe to tropical South East Asia, people all over the world are becoming more conscious of their power as consumers. By the end of 2007, Fairtrade certified products were available in more than 60 countries. In 2007 consumers spent over 2.3 billion euros for Fairtrade certified goods.

The growing presence of Fairtrade products worldwide and the extensive grassroots support for Fairtrade are the result of the combined efforts of Labelling Initiatives, partner organizations and millions of individuals in volunteer groups. In 2007 numerous initiatives and campaigns helped to boost sales in existing markets and open some completely new markets for Fairtrade.

New products and new markets

The first Fairtrade products were officially offered in Estonia, supported by the Fairtrade Labelling Initiative in Finland. Encouraged by the warm reception in Estonia, the Finnish will now move further south to introduce Fairtrade in other Baltic states.

In Asia, Oxfam Hong Kong raised awareness of Fairtrade among local consumers. The campaign included a seminar for traders and retailers to discuss the potential for Fairtrade in this Asian metropolis. By the end of 2007, numerous Hong Kong stores were offering Fairtrade certified products to their consumers, while three companies signed license agreements with FLO to use the FAIRTRADE Mark.

Fairtrade Town Campaign

Once again, this campaign was fundamental in building support for Fairtrade. To earn the title of Fairtrade Town, a town's council must adopt a resolution supporting Fairtrade and commit to purchase Fairtrade certified products, such as coffee, tea and sugar. By the end of 2007 there were over three hundred Fairtrade Towns in the UK and Ireland (the two pioneers), Belgium, Italy, Finland and Sweden. In 2007 the campaign was also launched in Canada and the USA, where four cities achieved the status of Fairtrade Towns, and in Denmark, where Copenhagen is about to become the country's first Fairtrade Town.

Estimated Sales Volumes by Product 2006/2007

	Bananas	Cocoa	Coffee	Cotton	Flowers	Honey	Juices	Rice	Sportballs	Sugar	Tea	Wine
2006	135.763	7.913	52.064	1.551	157.282	1.552	6.309	2.985	152	7.159	3.883	3.197
2007	233.791	7.306	62.209	14.184	237.405	1.683	24.919	4.208	138	15.074	5.421	5.740
	MT*	MT*	MT*	Items**	Stems**	MT*	MT*	MT*	Items**	MT*	MT*	Litres**

* MT = metric tons / **Thousands of Items/Stems/Litres

Inspirational Sales Figures 2007

- Global retail value surpassed 2.3 billion euros, meaning a growth of 47%.
- The sales volumes of bananas increased by 72% and reached a total of 233.791 metric tons.
- Coffee grew by 19%, reaching a total of 62.209 metric tons.
- The sales of sugar increased by 111% up to 15.074 metric tons.
- During 2007, Fairtrade cotton was introduced in five new markets and the sales of items made out of Fairtrade certified cotton, ranging from cotton buds to jeans and towels, surpassed 14 million.

Estimated Retail Value of Fairtrade Certified Products

All amounts in millions of Euros

	Australia/ New Zealand	Austria	Belgium	Canada	Denmark	Finland	France	Germany	Ireland	Italy
2006	6.8	41.7	28.0	53.8	23.2	22.5	166.0	110.0	11.6	34.5
2007	10.8	52.8	35.0	79.6	39.6	34.6	210.0	141.7	23.3	39.0
Increase	59	27	25	48	71	54	27	29	101	13

	Japan	Luxembourg	Netherlands	Norway	Spain	Sweden	Switzerland	UK	USA	Total
	4.1	2.8	41.0	8.6	1.9	16.0	142.3	409.5	499.0	1,623
	6.2	3.2	47.5	18.1	3.9	42.5	158.1	704.3	730.8	2,381
	51	14	16	110	105	166	11	72	46	47%

Inspired by the success of these campaigns, Max Havelaar France is planning to launch a French version of the Fairtrade Town Campaign during 2008, working with various partners.

Fairtrade Schools, Universities and Churches

Variations on the Fairtrade Town philosophy are the Fairtrade Schools, Fairtrade Universities and Fairtrade Churches campaigns. These are powerful instruments for winning young people over to the Fairtrade concepts.

Currently the Fairtrade Foundation in the UK, Fairtrade Mark Ireland, Transfair USA and Transfair Canada are running Fairtrade Schools and Universities campaigns.

In Sweden and Finland, Fairtrade Parish Churches have been actively promoted, while in the UK, nearly a thousand churches applied in 2007 to the already established programme, bringing the UK total to nearly 4,000 Fairtrade places of worship. Fairtrade Churches become actively engaged in promoting and offering Fairtrade products in the framework of their liturgical activities.

Fairtrade Weeks around the world

All over the world, Fairtrade Weeks, Fortnights and Months take place every year to raise awareness about Fairtrade. Thousands of volunteers are mobilized for hundreds of events such as tastings, exhibitions and conferences. Often, celebrities participate to show their support and, as the popularity of Fairtrade Weeks grows, the governments of some countries are also becoming actively involved. In Ireland the Minister of State for Overseas Development, Michael Kitt, formally launched the Irish Fairtrade Fortnight 2008.

During this event, the Irish President, Mary McAleese, met with representatives of Fairtrade Mark Ireland and with Fairtrade producers from Tanzania, Uganda, Ghana and Belize, as well as voluntary Fairtrade Towns' representatives.

Towns, schools, churches, Fairtrade Weeks ... there are so many different ways to engage communities in Fairtrade at the grass-roots level. Throughout 2007, we saw how thousands of people engaged locally to promote Fairtrade and open new market opportunities for producers in the global South.



Consumers of Fairtrade certified products: coffee, flowers, bananas, wine, chocolate, etc.

Photos — Rainer Holz, Fairtrade Austria / Fairtrade Foundation UK



Photos — Didier Gentilhomme

Producers of Fairtrade certified products: coffee, flowers and cocoa



South to South Fairtrade

Up until now, Fairtrade certified products have only been available in developed countries. Today, however, in emerging economies in the global South there is a new consumer class increasingly eager to buy products that ensure better conditions for farmers.

In 2007, FLO took steps to support the development of Fairtrade sales in developing countries. It put in place an international licensing system that allows companies in countries with no Fairtrade Labelling Initiative to sell products bearing the FAIRTRADE Mark.

Months later, when the first Fairtrade certified tea was made available to Vietnamese consumers, Mr Nguyen Van Kim and the other 18 members of Thien Hoang – 16 of whom are women – were filled with pride. Selling Fairtrade certified tea in the local market is an additional opportunity for the

Plans for the future in Thai Nguyen

“We are planning to build a factory to process our tea. At the moment, each member has their own basic drying facilities at home, but we want to professionalize this with a factory. The Fairtrade Premium will be used to co-invest in building this factory.”

Mr Nguyen Van Kim — Chairman of Thien Hoang Organic Tea Club — Vietnam



The homestead of Mr Pham Ngoc Hung, Treasurer of the Thien Hoang Organic Tea Club, located in Thai Nguyen

Photo — Didier Gentilhomme

Photos — Didier Gentilhomme

A Vietnamese example Already, this new system is seeing results. MDI, a Vietnamese-owned company, has launched the first tea to bear the FAIRTRADE Mark in Vietnamese shops. ‘Betterday’ tea is being sold in some of Vietnam’s major supermarket chains. The tea is grown by the Thien Hoang Organic Tea Club, a Fairtrade certified tea cooperative in Thai Nguyen Province in Vietnam. Mr Nguyen Van Kim, Chairman of the cooperative, remembers when he first met the representatives of MDI in his village. The company announced that they were interested in buying the cooperative’s organic tea under Fairtrade and selling it to Vietnamese consumers.

cooperative to receive the Fairtrade Minimum Price and the Fairtrade Premium. Until now, they have used the Fairtrade Premium to buy organic fertilizer they need to grow their tea. As Fairtrade sales continue to increase, this cooperative has even bigger plans for the future. They want to invest in a factory to process their tea. The development of new local markets is great news both for Fairtrade certified producers and for consumers in developing countries.

Just as the farmers of Hoang Organic Tea Club have already done, Fairtrade hopes that many other producers will soon see their products sold in local shops and bearing the FAIRTRADE Mark.

A handful of Fairtrade rooibos in Citrusdal, South Africa

Photo — Terje Borud

First Minimum Prices for Tea Introduced

A series of important changes were introduced in 2007 to improve the sustainability of trade in Fairtrade tea and rooibos. The new arrangements resulted from extensive research and consultation. One of the most significant changes is the introduction of Fairtrade Minimum Prices for some tea products. This reflects concerns over the downward trends in global market prices for tea over the past five years.

Faced with global oversupply, producers in many regions were selling much of their tea at below the cost of production. FLO anticipates that the new pricing system will help tea growers around the world to meet their costs of production and to develop their businesses sustainably – even if market prices fall further.

The new Fairtrade Minimum Prices will apply only to those teas which are typically sold at lower prices and where Minimum Prices can make a real difference to producers.

These include non-organic teas produced by the crush-tear-curl production method, and certain lower grades of tea produced by orthodox production methods.

The Fairtrade Minimum Prices will vary according to countries and regions of origin, reflecting the diversity in costs of production and market prices.

The Fairtrade Premium for tea has traditionally been set at a high level relative to other Fairtrade products. With the introduction of Fairtrade Minimum Prices, and after much consideration, FLO has decided to slightly reduce the Fairtrade Premium to help maximise market access opportunities for Fairtrade certified producers by staying competitive.

Our view is that this greater market access will result in a considerable net gain to producers.

Fairtrade tea facts

- The first Fairtrade tea was introduced in 1994 in the United Kingdom and Germany.
- Tea was the first Fairtrade certified product sourced from estates rather than from small-scale farmers.
- The number of Fairtrade certified tea producer organizations has risen from 50 in 2002 to 75 at the end of 2007.
- At the end of 2007, the FLO Standards Committee announced the first Fairtrade Minimum Prices for tea and rooibos.

Special arrangements for rooibos tea

Fairtrade Minimum Prices for rooibos tea will ensure that producers receive a guaranteed Fairtrade price for their produce, therefore shielding them from market volatility.

The particular pricing model adopted for rooibos tea takes into account the differing costs of production of small producers and hired labour situations. There will be a higher Fairtrade Premium for workers in hired labour groups, to allow them to invest in the development of their communities. In this way, FLO will ensure that small farmer organizations and plantations have the same market access opportunities for rooibos tea, while workers in the hired labour context also benefit from Fairtrade certification.

New Fairtrade Minimum Prices for Arabica Coffee

Coffee markets are volatile and experience strong price fluctuations. The Fairtrade Minimum Price guarantee brings stability to small-scale farmers and enables them to plan ahead. Over and above the price guarantee, producer organizations can use the Fairtrade Premium to invest in their businesses – for example by making quality improvements to enter higher-value markets, or by diversifying their production, or by investing in wider community development projects.

After a unanimous decision by the FLO Board, from 1 June 2008 the Fairtrade Minimum Prices for arabica will increase by US\$0.05 for every pound of Fairtrade certified coffee sold. Producers of Fairtrade certified organic coffee will continue to receive an additional payment of at least US\$0.20 per pound. All producers will continue to receive a Fairtrade Premium of US\$0.10 per pound of coffee sold, for investment in community development and business improvements.

"I represent over one million people in Latin America who need the security of the Fairtrade

Minimum Prices in order to continue living and working on their land with dignity," said Raúl del Águila, a Peruvian coffee farmer, President of the Latin American Fairtrade Producers Network (CLAC) and a FLO Board member. "Consumers can be certain that this increase will help improve living standards and have a direct and positive impact on the lives of Fairtrade certified coffee farmers around the world".

Consultation and review process

The decision to increase Fairtrade Minimum Prices for arabica coffee is the result of a year-long process of consultation and research. The costs of coffee production, the needs of producers to invest in their organizations and communities, and changing Fairtrade market conditions were all taken into account. A large number of producer organizations, coffee roasters and importers participated in this process. In addition, FLO formed an advisory group of coffee producers and traders to provide specialist expertise and insight to the review. The quantity and quality of these inputs have enabled FLO to take a well-informed and balanced decision.

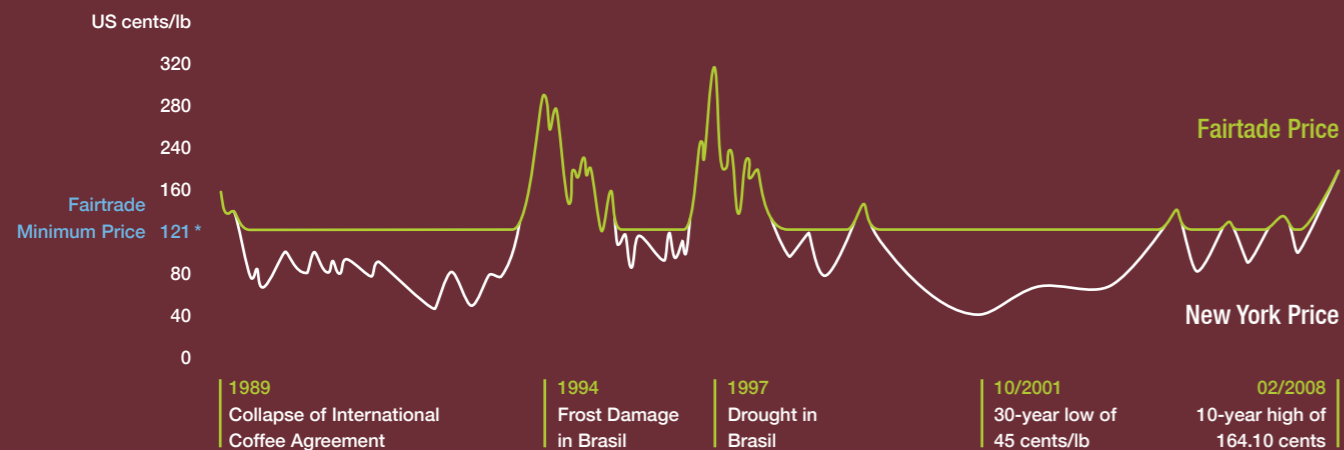
Rosa Mamani picking coffee beans at the Fairtrade certified Antofagasta Coffee Cooperative, Bolivia



Photo – Bruno Fert

The Arabica Coffee Market 1989 – 2008: Comparison of Fairtrade and New York Prices

When the New York price is 121 cents or above, the Fairtrade price = New York price + 10 cents.



* From 1 June 2008, the Fairtrade Minimum Prices for arabica will increase by US\$0.05. — Source: © Fairtrade Foundation UK

Fairtrade coffee facts

- The first Fairtrade Minimum Price for coffee was established by Max Havelaar Netherlands in 1988.
- Since 2002 sales of Fairtrade certified coffee have increased by 20% yearly.
- The number of Fairtrade certified producer organizations selling Fairtrade coffee has increased from 175 in 2002 to 256 by the end of 2007.
- An estimated of 700,000 small coffee farmers directly benefit from Fairtrade coffee sales.



Liaison Officer providing Fairtrade information to farmers in northern India

Argentina 10	Guatemala 23	Benin 1	Mali 7	China 5
Belize 1	Haiti 8	Burkina Faso 11	Morocco 1	East Timor 1
Bolivia 26	Honduras 20	Cameroon 2	Mozambique 1	India 36
Brazil 18	Mexico 50	Comoros Islands 1	Namibia 1	Indonesia 3
Chile 6	Nicaragua 20	Congo Dem. Rep. 1	Rwanda 7	Laos 3
Colombia 48	Panama 1	Egypt 5	Senegal 4	Nepal 1
Costa Rica 13	Paraguay 6	Ethiopia 3	South Africa 47	Pakistan 5
Cuba 10	Peru 44	Ghana 9	Tanzania 16	Papua New Guinea 3
Dominican Republic 24	St. Vincent and the Grenadines 1	Ivory Coast 5	Togo 2	Philippines 2
Ecuador 22	Venezuela 1	Kenya 36	Tunisia 2	Sri Lanka 9
El Salvador 6		Madagascar 1	Uganda 16	Thailand 10
		Malawi 4	Zambia 2	Vietnam 3
			Zimbabwe 8	

Number of Fairtrade certified producer organizations in each country

FLO Support Inspires Fairtrade Producers

“Since PBU exists and the Liaison Officer was hired, we feel we have someone to talk to in the FLO system. Now each time we have a concern or need explanations on certification decisions, we know who to contact.” A member of Union des Groupements des Producteurs D’Ananas de Toffo, a Fairtrade certified pineapple producer organization in Benin.

FLO’s Producer Business Unit (PBU) was created in 2004. The team works with producer organizations to improve their understanding of the Fairtrade system and support them in complying with Fairtrade standards.

The Producer Business Unit supports producers by:

- providing training in local languages
- offering guidance on certification requirements
- assisting producers in gaining access to new markets
- facilitating relationships with buyers

To offer sustained and high quality support to producer groups it is essential that the Unit has a strong presence in producer countries near to the organisations it works with. To support this goal FLO recruited many new Liaison Officers in 2007.

There are now 27 Liaison Officers working in 42 countries (see map). The additional support

producers receive is already achieving results. Producer groups are now better prepared to meet certification requirements.

As a result, there has been a significant drop in the number of visits needed following inspections. This means that Liaison Officers now have more time to offer proactive training to producer organizations.

“You’ve only been here for a year – you should’ve come four years ago because we were lost before this.” Joint Body, Concordia, Sri Lanka

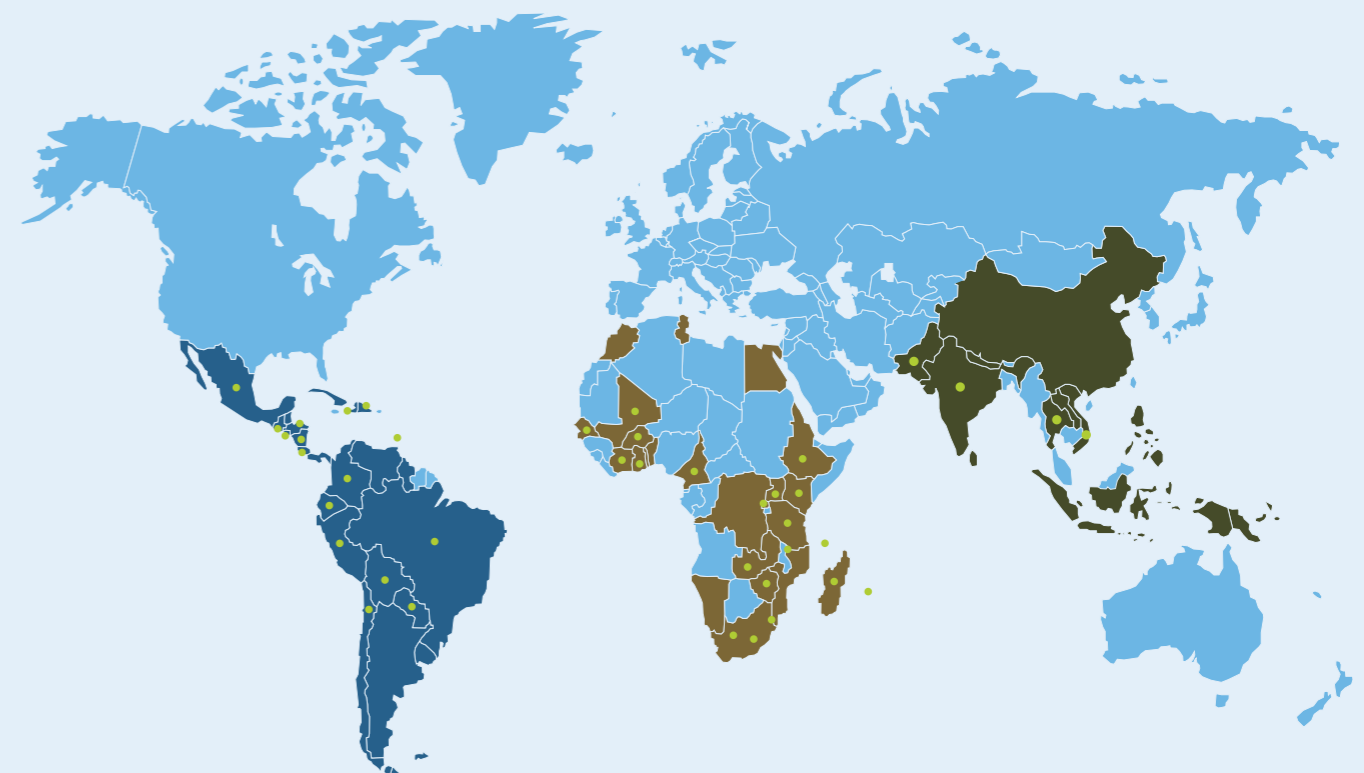
“The best thing that Fairtrade offers is capacity building for farmers.” The Founder of Agrocel, Mr KC Schroff, India

“With your training, we expect nothing but more sustainable projects which will have greater socio-economic-impact on our people.” President Premium Trust Board of Kuapa Kokoo Farmers Union, Ghana

FLO’s Presence in Producer Countries

By the end of 2007, there were 632 Fairtrade certified producer organizations in 58 producing countries, representing 1.5 million farmers and

workers. With their families and dependents, FLO estimates that 7.5 million people directly benefit from Fairtrade.



• Countries where Liaison Officers are present

Inspiring Highlights from 2007

FLO recognised by International Social and Environmental Accreditation and Labelling (ISEAL) Alliance

In 2007 FLO was recognized as one of seven pioneer organizations that have reached the highest standards for defining ethical trade by complying with the ISEAL Code of Good Practice for Setting Social and Environmental Standards.

“These organizations are champions of ethical trade and recognised as some of the leaders in consumer and industry standards across sectors. These organizations have become compliant with the ISEAL Code both to strengthen their own social and environmental initiatives, and to encourage other standard-setters to commit to industry best practice.” ISEAL Alliance

“1.5 million farmers and workers in the developing world benefit from consumers’ trust in the standards behind the FAIRTRADE Mark.

But we must never take that trust for granted. Fairtrade Labelling Organizations International is therefore proud to commit to the ISEAL Code of Good Practice, which ensures a clear and consistent framework for setting social and environmental standards.” Ian Bretman, Board Member of FLO and Deputy Director of the Fairtrade Foundation, UK

Producers benefit from FLO support

In 2007, 72 producer groups benefited from FLO’s Producer Certification Fund. FLO established this fund to avoid certification fees becoming an insurmountable obstacle for struggling producer organisations.

During the year a total of 74,000 euros were granted out of the fund. The fund is open to smallholder producer organizations unable to pay the certification fees.

To qualify applicants must comply with Fairtrade standards, must have passed an initial check carried out by FLO-CERT and must be able to find a market for their produce. Up to 75% of the certification fee can be granted to successful applicants.

Producers join FLO Board

Following unanimous agreement by the FLO Board, representatives from producer networks across three continents have formally joined the Board. The constitution was previously changed to make way for this momentous decision.

It demonstrates genuine stakeholder participation at the very highest level of FLO. Now sitting on the Board, producer representatives are better placed to shape the future direction of FLO.

Switzerland adopts the international FAIRTRADE Mark

Switzerland decided to join the growing number of Labelling Initiatives using the international FAIRTRADE Mark. All European countries, and 18 out of 20 countries where Fairtrade labelling exists, will now be using a single FAIRTRADE Mark.

A single international mark is important because it facilitates cross-border trade, is less confusing for consumers and presents a more united identification of harmonized standards. The move is particularly significant as it means the original labels, adopted by France, the Netherlands, Belgium and Switzerland, have been replaced.



Mr Víctor González, a member of the Asociación de Cañicultores Organico de la Zona Central in Paraguay hauling sugar cane

Photo - Alder Gensilhomme



The warehouse in a Malian village where Fairtrade certified cotton is stored before being baled and shipped

Photo - Frédéric Raevens

Fairtrade firsts in 2007

- Fairtrade Austria introduced a new range of Fairtrade fresh fruits: pineapples from Costa Rica and Ghana, organic mangoes from Peru and Brazil and organic avocados from Mexico and South Africa.
- In Canada, wine from South Africa was introduced.
- The UK has the first national coffee company to go 100% Fairtrade; they promoted the film BLACK GOLD in their coffee bars.
- Flowers were launched in Italy, Sweden and the USA.
- In Australia, Austria, Germany, Italy & New Zealand, the first products made from Fairtrade certified cotton were on the market.

FLO Summarized Accounts

Statement of financial activities for the year ending December 31st, 2007
All amounts in € '000 (Euro)

Income	2007	2006
Membership contributions	2.480	2.028
External grants for specific projects	1.953	1.488
Interest & other income	4	9
Total Income	4.437	3.525
Expenditures	2007	2006
Producer Liaison & Support	2.552	2.008
Standards Development & maintenance	476	461
Communications & Certification Mark management	294	215
Strategy & policy	307	210
Governance and central support	816	630
	4.445	3.524
Balance carried forward	- 8	1

Signed by Robin S. Cameron — Chief Executive Officer FLO International e. V. — Bonn, March 28th, 2008

Picking oranges for Fairtrade certified orange juice in Paranavaí, Brazil

Photo — Didier Gentilhomme

FLO Balance Sheet

Assets	12/31/2007	12/31/2006
	in € '000	in € '000
Fixed Assets	102	85
Intangible assets	26	8
Tangible assets	47	48
Financial assets	29	29
Current Assets	757	627
Outstanding accounts for services	338	372
Other assets	126	83
Liquid funds	293	172
Total	859	712

Equity and Liabilities	12/31/2007	12/31/2006
	in € '000	in € '000
Equity Capital	278	163
Revenue Reserves	248	126
Unappropriated surplus	30	37
Liabilities	581	549
Provisions	69	54
Liabilities to banks	—	29
Liabilities for supplies and services	191	165
Other liabilities, accruals, deferrals	321	301
Total	859	712



Fairtrade Premium projects in Ecuador and South Africa

These annual accounts have been produced on the basis of internal documentation and internal accountancy following general accepted accounting principles and taking into account German tax law (KStG) and commercial law (HGB).

The summarized accounts reflected here may not contain sufficient information to permit a full understanding of the company's financial affairs. They are extracted from the annual statement of accounts, available from the Financial Department of FLO International e. V.

Signed by Robin S. Cameron — Chief Executive Officer FLO International e. V. — Bonn, March 28th, 2008

FLO Board

1. Mr Raúl del Águila representing coffee producers in Latin America. Mr del Águila is also the President of the CLAC (Coordinadora Latinoamericana y del Caribe de Comercio Justo) and the Managing Director of COCLA, a Fairtrade certified coffee cooperative in Peru.

2. Mr Ian Bretman Deputy Director and Head of Commercial Relations at the Fairtrade Foundation UK.

3. Mrs Barbara Fiorito Chair of the Board of Directors. Mrs Fiorito is an independent Board Member. Prior to FLO, Mrs Fiorito served on Oxfam America's Board from 1992 and as Chair

of the Board as well as Deputy Chair of Oxfam International from 2000 to 2005.

4. Mr Leo Ghysels representing Fairtrade registered traders. Mr Ghysels is the Director of the Department of Producer Research, Oxfam Wereldwinkels Belgium.

5. Mr Jean-Louis Homé Independent Board Member. Mr Homé was Heineken's Director for African and Middle East operations for ten years, from 1993 to 2002.

6. Mr Steve Knapp Director of Fairtrade Labelling of Australia and New Zealand.

7. Mr Binod Mohan representing producer organizations in Asia. Mr Mohan is also the Chairman of the NAP (Network of Asian Producers) and the Managing Director of Tea Promoters India, a Fairtrade certified tea state.

8. Mr Rick Peyser representing Fairtrade registered traders. Mr Peyser is Director of Social Advocacy and Coffee Community Outreach, Green Mountain Coffee Roasters USA.

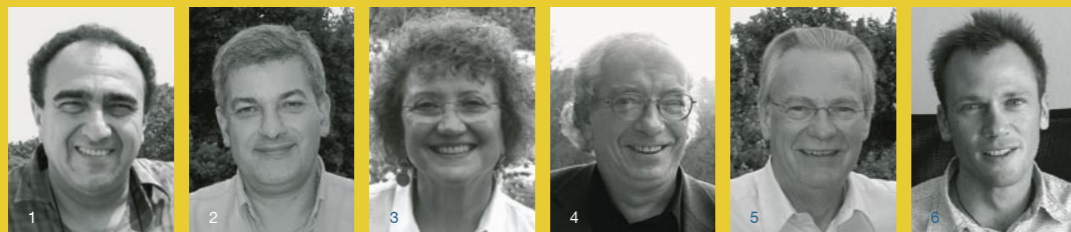
9. Mr Paul Rice Founder and CEO of TransFair USA.

10. Mr Martin Rohner CEO of Max Havelaar Foundation Switzerland.

11. Mrs Tuulia Syvänen Director of Fairtrade Labelling Finland.

12. Mr Carlos Eugenio Vargas Board Member representing producer organizations in Latin America. Mr Vargas works for a Fairtrade certified banana cooperative in Costa Rica, as co-ordinator for the compliance with Fairtrade standards and for commercial relations.

13. Mr Yorokamu K. "Abaine" Abainenama representing producer organizations in Africa. Mr Abaine is the General Manager of Union Export Services Ltd (UNEX) in Uganda.



FLO Members — Labelling Initiatives

Fairtrade Austria
www.fairtrade.at
Max Havelaar Belgium
www.maxhavelaar.be
TransFair Canada
www.transfair.ca
Max Havelaar Denmark
www.maxhavelaar.dk
Association for Promoting Fairtrade in Finland
www.reilukauppa.fi

Max Havelaar France
www.maxhavelaarfrance.org
Transfair Germany
www.transfair.org
Fairtrade Mark Ireland
www.fairtrade.ie
Fairtrade TransFair Italy
www.fairtradeitalia.it
Fairtrade Label Japan
www.fairtrade-jp.org
TransFair Minka

Luxembourg
www.transfair.lu
Max Havelaar Netherlands
www.maxhavelaar.nl
Fairtrade Max Havelaar Norway
www.fairtrade.no
Asociación del Sello de Comercio Justo Spain
www.sellocomerciojusto.org

FLO Members — Producer Networks

Fairtrade Sweden
www.rattvisemarkt.se
Max Havelaar Switzerland
www.maxhavelaar.ch
Fairtrade Foundation UK
www.fairtrade.org.uk
TransFair USA
www.transfairusa.org
Fairtrade Labelling Australia / New Zealand
www.fta.org.au / www.fta.org.nz

Associate Member:
Comercio Justo Mexico
www.comerciojusto.com.mx
Producer Network Africa
AFN — African Fairtrade Network
Email: africafairtrade@yahoo.com
Producer Network Asia
NAP — Network of Asian Producers
Email: napflo@gmail.com

Producer Network Latin America and Caribbean
CLAC — Coordinadora Latinoamericana y del Caribe de Comercio Justo
Email: secretariado@clac-pequenosproductores.org
www.claccomerciojusto.org

FLO Staff and Donors

Governance Unit (GU) Gelkha Buitrago — Robin Cameron — Andrea Richert

Producer Business Unit (PBU) Alex Arnaud Assanvo — Christelle Ayglon — Monika Berresheim-Kleinke — Ekaterina Grabert — Xavier Huchet — Karimah Hudda — Nadia Hoarau-Mwaura Matthias Kuhlmann — Tatiana Mateluna Estay — Laura Oster — Robin Roth — Ha Tran — Miyako Takahashi — Carla Veldhuyzen

Liaison Officers

Africa Simon Banda — Anne Chepkoech — Tatia Currie — Latyr Diouf — Chala Erko — Zachary Ndungu Kiarie — Michael Nkonu — Pascasie Nyirandegé — Jennifer Mbuvi — Isabelle Pistone — Nathi Tshabalala — Jean-Philippe Zanavelo

Asia Anup Kumar Singh — Ngoc Minh Luong — Beate Pinisch — Ganapathy Raju

Latin America Manuel Aguirre — Shemina Amarsy — María Armas — Wilma Bergman — Darana Castilho de Souza — Kieran Durnien — Walter González — Julia Malquín — Inés Mendoza — María Trinidad — José Borja Díaz — Reinaldo Rodríguez

Standards Unit (SU) Isabelle Fragnière — Ricardo Guimaraes — Rob van Hout — Juan Isaza — Dorothee Jung — Katharine Kilpatrick — Andreas Kratz — Margret Loeffen — Ingrid Madlmair — Arisbe Mendoza Escalante — Nicolas Salliou — Fabienne Yver

Finance and Central Services Unit (FCSU) Marisol Faustino Quiquia — Cornelia Halm-Epping — Simon Hunt — André Kirilenko — Hugo Maximo

Ludena Vallejos — Patricia Magaña-Spiegel — Martina Meckel — Andreas Nübel — Nicole Petz — Johnna Phillips — Helga Stark — Frank Vierheilig

Communications Team Verónica Pérez Sueiro — Jennifer Stapper

We also want to thank the staff members who left FLO during 2007 Marian Beaujon — Guillermo Denaux — Karen Nemes — Cécile Philippart — Luuk Laurens Zonneveld

And the interns who supported our team in 2007 María Rus — Juliane Reinecke — María Steenpass — Masao Takahashi

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

Brot für die Welt - Germany — European Commission — Evangelischer Entwicklungsdienst (EED) Germany — Hivos - Netherlands — Interchurch Organisation for Development Cooperation (ICCO) - Netherlands — Misereor - Germany — Oxfam-Novib - Netherlands — Schweizer Staatssekretariat für Wirtschaft (Seco) Switzerland — SNV - Netherlands — Roskilde Music Festival - Denmark

Many thanks to Fairtrade Foundation UK and Fairtrade Mark Ireland for donations to specific projects managed by FLO

Comic Relief - UK — Department for International Development (DfID) - UK — Four Acre Trust - UK — Oxfam - UK — Plymouth and South West Coop Society - UK — Rufford Maurice Laing Foundation - UK — Shell Foundation - UK — Irish Aid - Ireland



Front Ms Bàn Diên, picking Fairtrade certified wild tree tea in the village of Năm Cài, is a member of the Van Chan Bio Farmers Club in Vietnam. **Back** A customer being served Fairtrade certified tea in the Thai Nguyen region, Vietnam. — Mr and Mrs Nguyen Thi Thach processing tea in their traditional dryer at their homestead in the Thai Nguyen area. **Photos** Didier Gentilhomme

Edited by Verónica Pérez Sueiro — Jennifer Stapper — Julia Powell

Design beau bureau Kommunikationsdesign — www.beau-bureau.eu

This report has been printed by a FSC Certified Printing Company and only paper that meets the internationally recognised FSC Principles and Criteria of Forest Stewardship has been used.

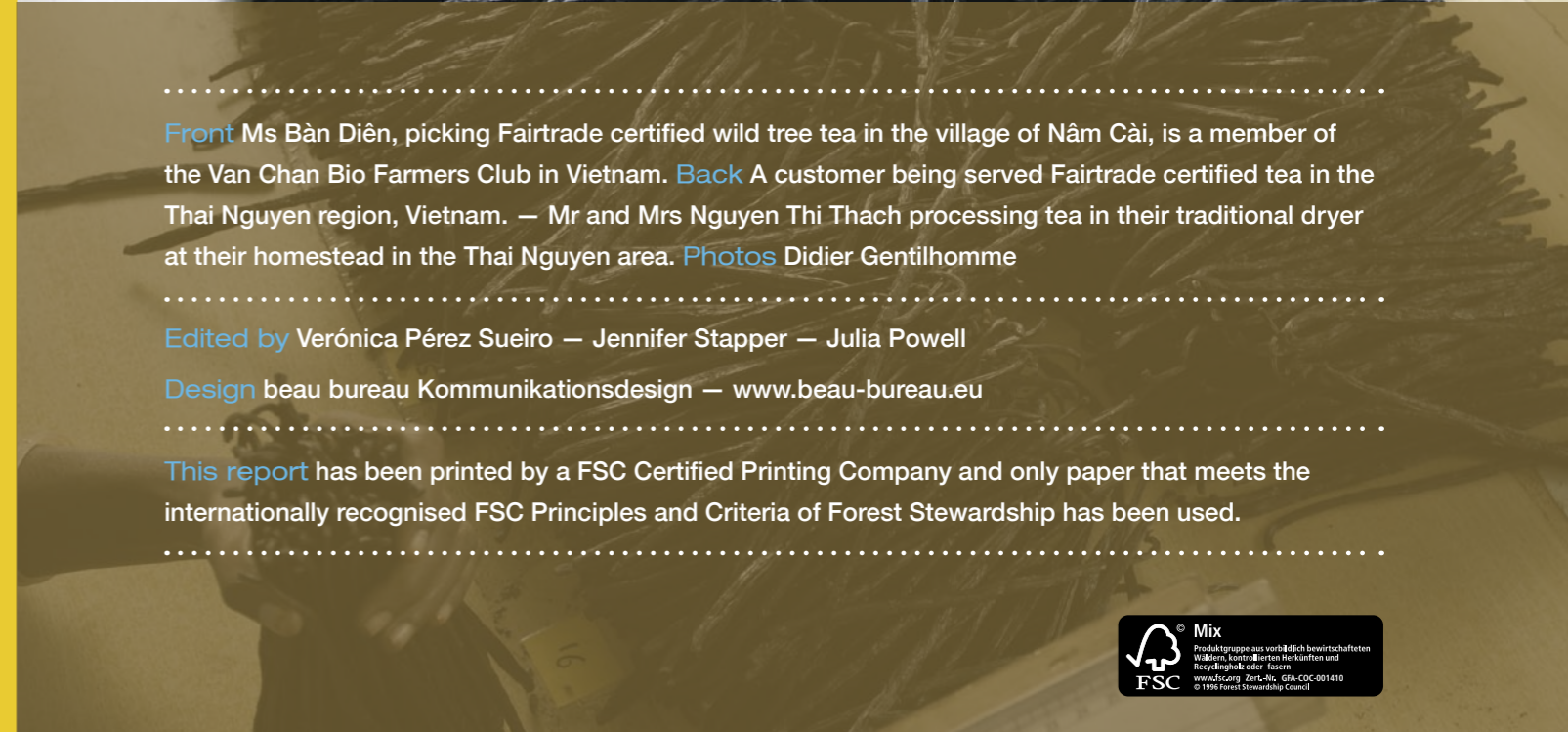


Photo — Kenneth Havgaard

Sorting Fairtrade certified vanilla in Karnataka, India



.....
Fairtrade Labelling Organizations International — Bonner Talweg 177 — 53129 Bonn — Germany
Telephone +49 (0) 228.94 92 30 — Telefax +49 (0) 228.24 21 713 — Email info@fairtrade.net
.....

www.fairtrade.net

