

In the field of social enterprise there is a range of naturally occurring ‘types’ that emerge from common approaches, ideals, and social purposes. Social Traders, working with a number of experts, have developed this series of Social Enterprise Info Briefs to capture the unique characteristics of each social enterprise type.

Fair Trade Social Enterprises

What are they?

Fair Trade is a global movement dedicated to tackling poverty and empowering producers and artisans in developing countries by providing fair prices for products and resources. Fair Trade is a response to the international trading environment which unfairly disadvantages communities that exist at the bottom of global supply chains. Fair Trade addresses this imbalance through:

- Fair prices - Ensuring that producers and artisans receive a price or wage that covers their costs of living and the cost of producing their products.
- Direct trade – Removing unnecessary middle men and transactions from the supply chain and facilitating a partnership between producer and consumer.
- Supply chain transparency - Fair Trade involves transparent management and commercial arrangements to deal fairly and respectfully with trading partners.
- Investment in development - Fair Trade is a strategy for poverty alleviation and sustainable development. The Fairtrade Premium, paid by traders to Fairtrade Certified cooperatives, is invested in community development projects in supplier communities.
- Capacity building - Fair Trade is a means to develop producers’ independence. Many utilise Fair Trade as way of improving their business practices and operations.

Fair Trade Social Enterprises (FTSEs) are typically set up with an explicit mission of tackling poverty through the trading relationships they establish with producers and artisans in developing countries. FTSEs often sell crafts and other products that have some attachment to the unique cultural traditions of the communities they trade with, as well as agricultural produce that is common to the geographic areas where they are bought.

Some FTSEs are established as wholesalers to retail and business outlets while others may operate as retailers themselves. FTSEs differ from other businesses working in Fair Trade in that their entire business and product conforms to the ideals of Fair Trade rather than particular product lines.

Why do we need these?

Within the Fair Trade movement, FTSEs are often at the forefront of developing new products, markets and supply chains. FTSEs often provide the innovation and initiative that drives the growth of the Fair Trade movement, from sourcing new products and developing partnerships with producers through to establishing a market for their products in the destination country.



Commercially, FTSEs provide an important link between consumer and producer that helps open markets for fairly traded goods and services. This is important in developing economic independence and stability for otherwise economically marginalised communities. By providing consumers and business with Fair Trade alternatives, FTSEs provide an important example to other traders of what is possible when the interests of people and planet are given prominence.

What outcomes do they achieve?

Due to the direct relationships formed by FTSEs with their suppliers, they are often able to provide firsthand accounts of the life-changing difference that Fair Trade business is having in tackling poverty and empowering producers in developing communities. Through the provision of fairer prices and additional investment in community development, Fair Trade has benefited millions of producers through the creation of more sustainable and stable livelihoods. Fair Trade has been directly responsible for the provision of thousands of development projects such as improvements in health care, education and infrastructure.

How do they perform financially?

Globally, consumer interest in Fair Trade has been growing steadily for a number of years with FTSEs being able to take advantage of this trend. Australia is one of the fastest growing Fair Trade markets with 80% growth in sales of Fairtrade Certified products throughout 2008.

However, as much of the markets for consumer goods are heavily driven by demand for reduced costs and cheaper prices, FTSEs are faced with the challenge of creating markets where price is not the dominant driver of demand. Price sensitivity is a real challenge as FTSEs seek to balance the needs of development with the demands of the market. Marketing plays an important role in Fair Trade, as FTSEs must educate potential consumers about the issues of poverty and the positive impact of buying Fair Trade products.

Setting up Fair Trade supply chains can also be quite challenging. Developing productive capacity whilst ensuring that the principles of Fair Trade are firmly entrenched, takes considerable research and legwork. Supporting small producers as they develop new systems and adapt to trading arrangements often requires considerable investment of time and resources by the FTSE.

Prominence in Australia and overseas

Globally, the Fair Trade market is significant, with consumers spending \$1.6 billion worldwide on Fair Trade certified products in 2007. The Fair Trade movement is strongest in the UK and Europe, the UK reporting retail sales of over \$700 million in 2008. The market in Australia is much smaller, although there has been significant recent growth in the number of Fair Trade licensees.

FTSEs are a small player in the greater Fair Trade movement. They are more prominent in the UK and Europe than in Australia, although there has been an increase in the number of FTSEs in Australia specialising in crafts and other 'non-certified' Fair Trade products in recent years.



Examples in Australia

- Oxfam Stores – National chain with foods and handcrafts sourced from individual workers, craft bodies and fair trade organisations - www.oxfamshop.org.au
- Rise Up Productions – clothing company committed to producing clothes that meet strict ethical and environmental standards - www.riseupproductions.com
- Trading Circle - An initiative of the Good Shepherd Sisters, the Trading Circle helps women trade out of poverty by assisting with the marketing of their products - www.thetradingcircle.com.au/story/content.asp?id=5
- Biobean Coffee – coffee roaster 100% Fairtrade and Organic - www.biobeancoffee.com.au
- 3 Fish - combines extensive global promotional marketing and sourcing experience with a certification and auditing program that ensures environmental, social and economic sustainability, and traceability back to the source - www.3fish.com.au
- Fair Trade Coffee Company - Offers coffee and tea free from exploitation. All proceeds go towards funding volunteer placements in disadvantaged countries - www.fairtradecoffeecompany.com.au
- Etiko – retailer of Fair Trade sport and fashion products. The purchase of their products also helps fund community development, micro-credit and health care programs in countries around the world. - www.etiko.com.au

References, research and resources

“Tackling Poverty Through Trade” report at –

www.fairtrade.com.au/Producersandimpacts

Fair Trade Association Australia and New Zealand - www.fairtrade.com.au

World Fair Trade Organisation - www.wfto.com

International Fairtrade Labelling Organisation - www.fairtrade.net

For further information

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