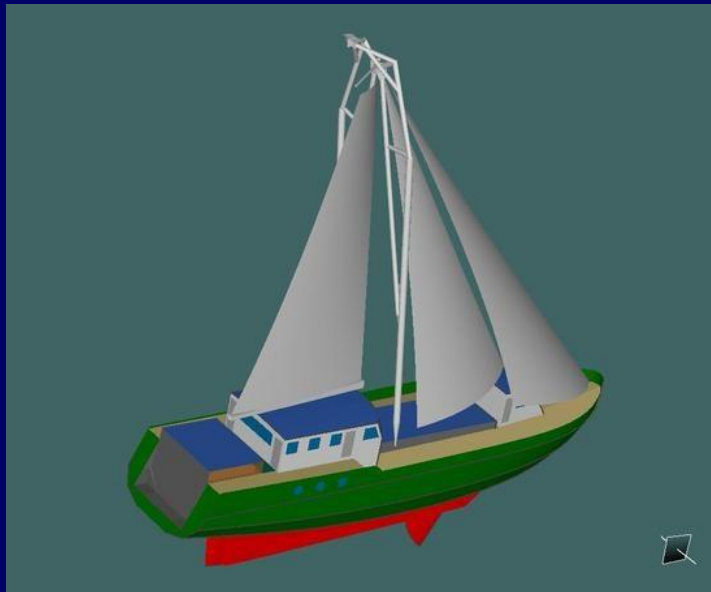


Fairtrade and Sustainable Shipping: Lessons from a social finance model



**YOUR CHOICE MAKES
A DIFFERENCE.**



**THE POWER
OF YOU**

Matthew Anderson

www.researchfairtrade.com

Overview and Research Questions

1. What finance mechanisms does Fair Trade use to support producer organisations?
2. Is there capacity / space within this to diversify into sustainable shipping?
3. What are the main barriers to success?

Greenheart Objectives and Fair Trade

The objective of the Greenheart Project is to produce a new clean and appropriate technology and introduce it to communities that can most benefit from its implementation.

The Greenheart design is for a two-container zero-emissions, cargo vessel capable of servicing undeveloped coastlines and allowing impoverished communities access to the global trading network without degrading their environment.



Definition of Fair Trade

“Fair Trade is a **trading partnership**, based on **dialogue**, **transparency** and **respect**, that seeks greater **equity** in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the **rights** of, **marginalized producers** and **workers** – especially in the South.”



Fair Trade in Fiji: Fairtrade Certified Sugar



Fairtrade in 2012-13

 **1149**
PRODUCER ORGANIZATIONS
WORLDWIDE,
16% MORE THAN
IN 2011 

OVER **1.3** MILLION FARMERS AND WORKERS
IN **70** COUNTRIES



PRODUCERS HAVE
50% OF THE VOTES
IN OUR
DECISION MAKING 

 NEARLY
6 IN 10
CONSUMERS
HAVE SEEN THE
FAIRTRADE MARK
AND OF THOSE,
9 IN 10 TRUST IT.



* according to a 2013 GlobeScan survey carried out in 17 countries.

 Awarded by
 **1300**
MORE THAN
FAIR TRADE TOWNS
IN OVER **20** COUNTRIES

OVER
€80 MILLION
ESTIMATED
FAIRTRADE
PREMIUM PAID
IN 2012 

 **THE MOST
WIDELY RECOGNIZED
ETHICAL LABEL –
GLOBALLY.**

Ethical Consumers: Growth in Labelling Initiatives



“Transporting Emission Free (Guaranteed 90% CO2 Reduction) allows you to complete the link in your otherwise **sustainable product.**”



“The principles of the **Fairtrade Movement** adapted to the shipping industry.”



“Promotes products shipped in a way that preserves & protects the cleanliness of our oceans.”

Recognising the Limits of Ethical Shopping



‘The evidence suggests that, historically, the green consumer has not been the tipping point in driving innovation. Instead, choice editing for quality and sustainability by Government and business has been the critical driver in the majority of cases.’

Sustainable Consumption Roundtable report, ‘Looking Forward Looking Back’, 2006.

Sustainable Shipping Finance Facility

Seed Funding: €2m / US\$2.7m

Full Funding: €20m / US\$27m

Loans: Up to 80% of build or purchase price.

Security: based on the insured asset value of the vessel.

Greenheart ship: US\$ 615K / FJD 1.1m

Max loan US\$ 490K / FJD 890K

Average loan 60% = US\$ 370K / FJD 670K

Rate of interest on loan: 3-4% + Admin cost

Period of Repayment: 5-20 years (avg. 10 yrs)

Sector	Example	Grant	Loan	Return	% Total Fund
Social Investment Fund (Private)	Various		■	3-4%	20.00%
Other Micro-Finance Facilities	Grameen, ASA, BRACs		■	6-8%	5.00%
Development Banks	ABD, WB		■	1-2%	25.00%
National/Regional Governments	Matching funds for local facilities.	■		N/A	10.00%
International donors	US-Aid, Aus-Aid, EU, UNCTAD, IMO	■ 5	■ 10	1-2%	15.00%
Commercial Banks	Triodos, Cooperative, Deutsche Bank, Citibank		■	6-8%	20.00%
Shipping/Commercial Donors	Sail ship companies, Shipbuilders etc.	■		N/A	5.00%
Total		20.00%	80.00%	2.98%	100.00%

Fairtrade Generic Standards

1. Fairtrade Minimum Price

2. Pre-Finance and Transparent Contracts

3. Fairtrade Social Premium



FAIRTRADE

Fairtrade Pricing & Value Chain Analysis

Payment for fruit to producer	USD	3.45	8%	
FT Premium - Investments in social and environmental programme	USD	1.75	4%	
Subtotal benefit for producer	USD	5.20	11%	11%
Package, local logistics and exporter's margin	USD	1.80	4%	
Subtotal FOB	USD	7.00		15%
Sea transport and insurance	USD	3.20	7%	
Harbour handling	USD	0.50	1%	
Overhead, financial costs and importer's margin	USD	1.00	2%	
Subtotal packaging and logistic		6.50	14%	14%
Subtotal T1		11.70		26%
Import duties, licences, clearance	USD	5.00	11%	
Subtotal import duties and licences	USD	5.00	11%	11%
Transport from harbour to ripener	USD	0.80	2%	
Ripening	USD	1.50	3%	
Packaging/pricing of clusters (USD 2.50 if applicable)	USD	2.50	6%	
Distribution to DC's	USD	0.80	2%	
Subtotal ripening (+packaging)		5.60	12%	12%
Total (is referential yellow-price for retailer T2)	USD	22.30		49%
Sales price to consumer per kg (2 Euros for FT)	USD	2.50		
Sales price per box of 18.14 kg	USD	45.35		100%
Tax VAT per box	USD	2.72	6%	6%
Retailer's margin per box	USD	20.33	45%	45%
Costs for retailer unknown (distribution, waste, store, etc.)				
Total return per box in USD at retail price		45.35	100%	100%

(*) Data obtained as average estimations of diverse Latin-American sources of Agrofair
Weight per box 18.14 kg

Gonzalo La Cruz (2006)

The Contribution of Fair Trade Towards Market Access by Smallholder Banana Producers.

Price structure

Organic cane sugar from Paraguay

Update: 1 April 2010

Product and producer

Oxfam Fairtrade unrefined organic cane sugar comes from Paraguay. The members of the El Arroyense, Montillo and Manduvirá cooperatives in that country grow sugar cane in an organic manner. They sell part of their sugar cane to Otissa (a commission agent), and they have the rest processed under their own management at Censi & Pirotta (a sugar refinery). Since 2007, they have been able to export cane sugar on their own.

Price structure of a (500gr) pack of organic sugar on 1 April 2010*

- Producer 0.29 eurocents
- Of this, 0.12 cents go to the (unprocessed) raw cane sugar
- The fair trade premium accounts for 0.03 cents per pack (about 58/tonne)
- Processing and packaging account for 0.14 eurocents

19%

Transport, customs, insurance and storage	0.32 eurocents
Further processing in the Netherlands	0.13 eurocent
Packaging	0.14 eurocent
Contributions for organic guarantee and Max Havelaar	0.04 eurocents

Total cost	0.9 eurocents
Total consumer price	1.69 eurocents

14.5 % of the consumer price goes to the producers in Paraguay.

**This table is important! A price structure is always a snapshot. Sugar prices are constantly changing on the world market.*

In perspective...

In 2008, Oxfam Fairtrade bought 480 tonnes of cane sugar from Montillo and Arroyense. In 2007 this was "only" 290 tonnes.

480 tonnes x € 58 = €27,840 fair trade premium, 50% of which goes directly to the producers and 50% is invested in projects for education, health, infrastructure, etc., for the benefit of the community as a whole.



Pre-Finance & Transparent Contracts

Pre-Finance

4.2.2 Where pre-financing is requested and unless otherwise stated in the product standards, Fairtrade payers must provide pre-finance up to 60% of the contract value.

Transparent Contracts

4.1.1 Buyers (including those making purchases via marketing boards) must provide a sourcing plan to each producer they plan to buy from, as well as to conveyors, if applicable.

4.1.3 Producers must have access to the contracts signed between conveyors and Fairtrade payers.

Fairtrade Social Premium

Sugar production in Fiji:

From the first premiums paid by Tate & Lyle for 30,000 tonnes of sugar, the LCPA have already approved over 100 community development projects in the first two years, including repair of several water sources for villages, bridges, bus shelters for the rainy season and computers for schools.

Fairtrade ANZ board visits Fiji

Thursday, 08 May 2014

The logo consists of an orange speech bubble with the words "Farmer Support" written inside in white, bold, sans-serif font.A photograph of a rural landscape in Fiji, showing green hills, palm trees, and a cloudy sky. The text is overlaid on the bottom right of the image.

“In rural Fiji, community projects are addressing crucial needs for economic and social development.”

Fairtrade Community & Infrastructure Projects

Bulileka Iris crossing: FJD 6,300

The suspension footbridge at Bulileka Iris was falling into a hazardous state of disrepair, so a total renovation took place in 2011. Without the crossing, community members would have had to walk the alternative route, which adds at least three kilometres to main road.



River Ferry at Taganikula: FJD 1,211

The boat serves a community of approximately 5,000 people on both sides of the river, and is the only crossing point for 5 km. The ferry was replaced with a larger boat that reduced queue size at peak times.



Social Investment: Shared Interest

SHAREDINTEREST
INVESTING IN A FAIRER WORLD

Search Shared Interest

SEARCH



[Investing in a fairer world](#) | [Who we finance](#) | [Open a Share Account](#) | [Get Involved](#)

Invest in a fairer world

[FIND OUT MORE](#)



Open a Share Account
for you or your family today.

OPEN A SHARE ACCOUNT
WITH JUST £100

HOW DOES IT WORK

1

Open a Share Account
with £100 upwards



2

Your investment goes
into the Shared
Interest pot



3

Shared Interest
provides fair finance
across the globe



25 YRS [~] ETHICAL
INVESTMENT

Follow our flags

[READ MORE](#)

MESSAGE FOR
INVESTORS

The Co-op Bank

[CLICK HERE](#)

Shared Interest Member Survey

28. Which of the following phrase(s) best describes how you view your investment in Shared Interest? You may tick more than one box

		Response Percent	Response Count
As part of your charitable giving		50.1%	930
Specifically as ethical investment		50.8%	942
Support for fair trade		63.7%	1,182
Support for a cooperative business		34.3%	636
		answered question	1,856
		skipped question	137

34. Would you categorise yourself in regards to environmental issues as: Please tick one box

		Response Percent	Response Count
Deeply interested		59.9%	1,125
Somewhat interested		38.4%	721
Not very interested		1.8%	33
		answered question	1,879
		skipped question	114

30. Would you like us to take more risks with our lending, if it meant positively impacting more smallholder producers in disadvantaged circumstances or regions: Please tick one box

		Response Percent	Response Count
Yes I would be prepared for Shared Interest to take much more risk		11.8%	224
I would be prepared for Shared Interest to take a little more risk		60.3%	1,147
Same risk as now		27.9%	530
I would like Shared Interest to take less risk		0.1%	2
		answered question	1,903
		skipped question	90

Conclusions and Next Steps

1. Consult with **Fairtrade International** about integrating sustainable shipping within product certification criteria.
2. Work with **World Fair Trade Organization** on developing a model for Fair Trade shipping as a supporter organisation.
3. Build partnerships in order to develop a sustainable network of emission free shipping routes in the South Pacific.
4. Inform and educate consumers about the environmental, social and economic challenges of conventional shipping.



FAIRTRADE



Building Partnerships and Utilising Technology



[Home](#) [Invest](#) [Move Cargo](#) [Sail Along](#) [Products](#) [Fleet](#) [Extra](#) [Contact](#) 

Freight prices are based on “ton/mile” units. There is an additional standard flat operating fee. This unit is a sum of how many tons of cargo are to be moved, and how many nautical miles that weight will travel. The ton/mile fee works on a scale of reduction by volume.

Our ships have no engine, thus do not depend on predicting and calculating fuel costs as do other shipping companies. Thus, our team can provide our customers with an immediate quotation. If you know exactly how much you want to transport and the ports of lading and discharge, it may be possible for us to give you a quotation straightaway.

Ask for a quotation

[contact us](#)



Thank You

Vinaka