

Forum NIL

Nachhaltigkeit im Lebensmittelhandel

Sustainability in Food Retailing

A Comparison of Fair Trade in Selected European Countries

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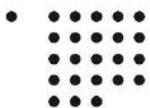
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Table of Contents

Table of Contents	II
Authors and Contact Persons	III
List of Figures	IV
List of Tables	IV
List of Abbreviations	V
Abstract	VII
1 Introduction.....	1
2 The Food Retail Industry in Europe.....	2
3 The Fair Trade System	10
4 Development of Fair Trade Sales.....	19
5 Activities of Fair Trade Organizations.....	27
6 Conclusion	34
List of References.....	37

Authors and Contact Persons

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List of Figures

Figure 1: Certification Systems along the Supply Chain in the Fair Trade System	14
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List of Tables

Table 1: Food and Non-Alcoholic Beverages Consumption Expenditures of Private Households in 6 European Countries 2008-2012	2
Table 2: Sales of Food and Near-Food Products in Retail and Wholesale Trade in 2012	4
Table 3: Market Share of Top Ten Food Retailers in 6 European Countries in 2012.....	6
Table 4: Number of Stores of Food Retailers in 6 European Countries in 2012	8
Table 5: Shares of Total Sales Volume of Various Sales Channels in the Food Retail Industry in 6 European Countries in 2011	9
Table 6: Overview of Major Fair Trade Organizations and Participants in Selected European Countries.....	17
Table 7: Fair Trade Retail Sales in 6 European Countries 2008-2012	20
Table 8: Per Capita Fair Trade Retail Sales in 6 European Countries 2008-2012.....	21
Table 9: Fair Trade Sales of Coffee in 6 European Countries 2008-2012	22
Table 10: Fair Trade Sales of Tea in 6 European Countries 2008-2012.....	23
Table 11: Fair Trade Sales of Bananas in 6 European Countries 2008-2012.....	24
Table 12: Fair Trade Sales of Fruit Juice in 6 European Countries 2008-2012.....	25
Table 13: Fair Trade Sales of Sugar in 6 European Countries 2008-2012	25
Table 14: Share of Fair Trade Products on the Per Capita Consumption of Food and Non-Alcoholic Beverages	26
Table 15: License Fees by Labeling Initiatives in 6 European Countries in 2012	28
Table 16: Key Indicators of National Labeling Initiatives in 2012.....	30
Table 17: Trust and Recognition of Fair Trade in 2011	32

List of Abbreviations

£	British Pound
€	Euro
ACP	African, Caribbean and Pacific Group of States
ADDF	Au-delà des Frontières
AG	Aktiengesellschaft
ARGE	Arbeitsgemeinschaft zur Förderung der Weltläden
ASRO	Association Romande des Magasins du Monde
BAFTS	British Association of Fair Trade Shops and Suppliers
BV	Besloten vennootschap
e.V.	eingetragener Verein
EESC	European Economic and Social Committee
EFTA	European Fair Trade Association
EU	European Union
FLO	Fairtrade Labelling Organizations
FLO-CERT	Fairtrade Labelling Organizations for Social Certification
FTUSA	Fair Trade USA
g	gram
GbR	Gesellschaft bürgerlichen Rechts
GEPA	Gesellschaft zur Förderung der Partnerschaft mit der Dritten Welt mbH
GmbH	Gesellschaft mit beschränkter Haftung
IFAT	International Federation of Alternative Trade
IFOAM	International Federation of Agricultural Movements
Inc	Incorporated
ISO	International Organization for Standardization
kg	kilogram
KG	Kommanditgesellschaft
Ltd	Limited Company
M	million
n.d.	no date
NEWS	Network of European Worldshops

OHG	offene Handelsgesellschaft
PFCE	Plate-Forme pour le Commerce Equitable
plc	Public Limited Company
SAS	Société par Actions Simplifiée
sqm	square meters
UK	United Kingdom
V.O.F.	vennootschap onder firma
WFTO	World Fair Trade Organization
WL-DV	Weltladen-Dachverband

Abstract

This paper gives an overview of the development of Fair Trade in six European countries: Austria, France, Germany, the Netherlands, Switzerland and the United Kingdom. After the description of the food retail industry and its market structures in these countries, the main European Fair Trade organizations are analyzed regarding their role within the Fair Trade system. The following part deals with the development of Fair Trade sales in general and with respect to the products coffee, tea, bananas, fruit juice and sugar. An overview of the main activities of national Fair Trade organizations, e.g. public relation activities, completes the analysis.

This study shows the enormous upswing of Fair Trade during the last decade and the reasons for this development. Nevertheless, it comes to the conclusion that Fair Trade is still far away from being an essential part of the food retail industry in Europe.

1 Introduction

The Fair Trade movement realized a remarkable development during the last decade. The degree of recognition of the Fair Trade idea and the FAIRTRADE certification mark increased enormously as well as the sales of Fair Trade products. However, the strong growth of Fair Trade is not documented well, providing a major barrier for potential new market entrants. This paper attempts to shed some light on this dynamic sector of the global economy.

In this study, the Fair Trade organizations and performance within six European countries will be compared. The United Kingdom and the Netherlands are the countries with the longest European tradition of Fair Trade. Furthermore, Germany and France will be analyzed, as they are the largest economies on the European continent. The analysis is completed by Austria and Switzerland, countries with a relatively small population but a high per capita consumption of Fair Trade products.

The analysis refers to the years 2008 to 2012. For this period, (more or less) comparable data for all six countries was available. Unfortunately, the data quality was not always satisfying. On the one hand, there are no official – internationally comparable – statistics of Fair Trade. The published data is mostly based on annual reports of Fairtrade Labelling Organizations (FLO) International and their national partners. On the other hand, calculations of the national figures (sometimes) refer to different methods. Insofar, comparisons of the activities in the six European countries are not always directly possible.

This study consists of four parts. At first, the food retail industry of the six countries is analyzed under the aspects sales volumes, market leaders and structure of the markets. In the second part, the organization of Fair Trade worldwide and on the national level is described. Part three deals with the sales and consumption of main Fair Trade food products in the considered countries: coffee, tea, bananas, fruit juice and sugar. The last part focuses on the national labeling organizations and their activities. The analysis concludes with a discussion of the level of trust and recognition of Fair Trade across the considered countries.

2 The Food Retail Industry in Europe

The food retail industry is characterized by retailers with a product assortment predominantly consisting of food. The retail industry is the interface between producer or wholesaler and consumer by selling food directly to the end consumer.

This paper deals with the comparison of the Fair Trade sector in different European countries. Food products make up the major part of the total turnover of Fair Trade products. Therefore, this chapter focuses on the European food retail industry providing key data and insights into its structure and main actors. Within Europe, the sales volume of Fair Trade products is the highest in the following six countries: Germany, the United Kingdom (UK), Switzerland, the Netherlands, Austria¹ and France (FLO International, 2014). For that reason, this chapter mainly concentrates on the food retail industry of these specific European countries.

To get a general idea of the importance of the food retail industry in the selected countries, Table 1 indicates the yearly consumption expenditures of private households on food and non-alcoholic beverages from 2008 to 2012.

Food and Non-Alcoholic Beverages Consumption Expenditures (in billion €)					
	2008	2009	2010	2011	2012
Germany	149.1	151.3	155.4	162.9	169.9
United Kingdom	98.1	89.6	96.7	99.8	112.2
Switzerland	18.6	19.8	21.4	23.8	24.2
Netherlands	30.1	30.3	30.8	31.5	32.3
Austria	15.7	15.7	16.0	16.6	17.1
France	143.4	143.6	146.8	150.6	156.3

Table 1: Food and Non-Alcoholic Beverages Consumption Expenditures of Private Households in 6 European Countries 2008-2012, at current prices

Source: Eurostat, 2014a; Bundesamt für Statistik, 2014

Household expenditures for food and non-alcoholic beverages in the selected countries ranked third in terms of total consumption expenditure of households. Households only spent more for “housing, water, energy” and “transportation”. In 2012, households in the five countries (excluding Switzerland) spent an average of 11.3% of their consumption expenditure on food and non-alcoholic beverages. This share was slightly lower than the European average of 13.0% in the same year. In Germany, the household spending on food and non-

¹ The sales volume of Fair Trade products in Austria was lower than that of Sweden, Ireland and Finland in 2012. Yet, due to difficulties with finding appropriate and detailed information in English, Austria was preferred to those countries. With Germany, Switzerland and Austria all German-speaking countries of Europe are covered in this paper.

alcoholic beverages in nominal terms increased by 3.3% from 2008 to 2012 annually, while the consumer prices for this product group increased by 1.6% on average per year. In the United Kingdom, the corresponding consumption expenditure increased by 3.4% on annual average from 2008 to 2012. Yet, the average annual growth rate of consumer prices for food and non-alcoholic beverages was 4.4%, leading to a negative real growth of the consumption expenditures. In the Netherlands, Austria and France the average annual growth rate of the food and non-alcoholic beverages consumption ranged from 1.8% to 2.2%. The price increase for those products was lower than the growth rates in these three countries. This indicates a real growth of the consumption expenditure for this product group (Eurostat, 2014a; Eurostat, 2014b).

In 2012, the total consumption expenditures on food and non-alcoholic beverages of all selected countries amounted to €512.0 billion. German and French household expenditures made up the largest share with 33.2% and 30.5%, respectively. The final consumption expenditures of households in the United Kingdom on food and non-alcoholic drinks accounted for 21.9%. The corresponding household spending in the Netherlands made up 6.3%. By far the lowest share made up the household spending in Switzerland and Austria, accounting for 4.7% and 3.3%. The different shares mostly result from the number of inhabitants of each country. Yet, in 2012 the British pound significantly appreciated against the euro. For that reason, the final consumption expenditures in the United Kingdom converted into euro increased from 2011 to 2012. The consumption expenditures per capita on food and non-alcoholic beverages was the highest in Switzerland with €3,075 per capita in 2012, followed by France with €2,405 per capita. The high figure for Switzerland is mainly a result of changes in the exchange rate, with the Swiss franc appreciating against the euro. The corresponding consumption per capita in Austria was €2,035, in Germany it amounted to €2,078 and in the Netherlands to €1,939 per capita. With €1,780 per capita the final consumption expenditures on food and non-alcoholic beverages in the United Kingdom seems to be comparably low. However, this can again be explained by the exchange rate movements (Eurostat, 2014a; Bundesamt für Statistik, 2014).

In Table 2 the most important retailers are ranked according to their turnover realized in 2012. These sales figures do not include food service and are based on turnover figures according to Planet Retail, an organization providing global retail data (Deutscher Fachverlag, n.d). The ranking of the food retailers in Germany is based on figures of the Nielsen Company Germany (Trade Dimensions, 2012), arraying the retailers according to their food turnover including drugstore products.

Top Ten Wholesalers and Retailers (in billion €)						
Rank	Germany	United Kingdom	Switzerland	Netherlands ¹	Austria	France
1	Edeka-Group (44.6)	Tesco (43.1)	Migros (12.5)	Ahold (10.1)	Rewe-Group (6.5)	Carrefour (32.6)
2	Rewe-Group (26.2)	Sainsbury's (23.7)	Coop Schweiz (10.0)	C1000 (3.7)	Spar Österreichische Warenhandels AG (4.5)	E. Leclerc (27.3)
3	Schwarz-Group (24.1)	Morrisons (22.3)	Aldi Süd (1.4)	Jumbo Supermärkten (2.9)	Aldi-Group (3.1)	Intermarché (24.2)
4	Aldi-Group (20.9)	Asda (20.7)	Spar Schweiz (0.8)	Lekkerland (2.6)	Schwarz-Group (1.0)	Casino (20.2)
5	Metro-Group (11.3)	Co-operative Group Ltd (10.2)	Schwarz-Group (0.6)	Aldi Nord (2.5)	Metro-Group (0.6)	Système U (19.0)
6	Lekkerland (8.2)	Alliance Boots (8.8)	Manor (0.6)	Sperwer (2.4)	Pfeiffer (0.6)	Auchan (14.3)
7	dm (4.6)	Bestway (6.1)	Lekkerland (0.4)	Schwarz-Group (2.0)	MPreis (0.6)	Schwarz-Group (7.1)
8	Rossmann (4.0)	John Lewis (6.0)	Casino (0.1)	Sligro (1.7)	Zielpunkt (0.5)	Louis Delhaize (5.3)
9	Bartels-Langness Group (2.8)	Marks & Spencer (6.0)	Müller Ltd & Co. KG (0.1)	AS Watson (1.4)	dm (0.5)	Aldi-Group (3.0)
10	Transgourmet (2.6)	Booker (5.3)	Fressnapf (0.1)	Metro-Group (0.9)	BP (0.2)	Metro-Group (2.9)

¹ Data refers to 2011

Table 2: Sales of Food and Near-Food Products in Retail and Wholesale Trade in 2012
Source: Deutscher Fachverlag, n.d.; Trade Dimensions, 2012

With a turnover of €44.6 billion in 2012, **Edeka-Group** is the most important company in the German food retail industry. The **Rewe-Group**, the second largest food retailer in Germany, includes among others supermarkets (REWE), discounters (Penny) and hypermarkets (REWE Center, toom Markt) (REWE Group, 2013). The following two retailers, Schwarz- and Aldi-Group, are mainly operating discount stores. Yet, the Schwarz-Group additionally owns the hypermarket Kaufland besides the discount supermarket chain Lidl. Most of the Top Ten food retailers in Germany have private labels carrying the FAIRTRADE certification mark. Only Lekkerland, dm-drogerie markt (dm) and Transgourmet are not licensed to use the FAIRTRADE mark on their own products (TransFair, n.d.(a)).

Among the Top Ten of the British ranking of food retailing companies, there are only retailers headquartered in the UK. The main foreign actor in terms of turnover is Lidl, ranked 12

(Deutscher Fachverlag, n.d.). The British trader **Tesco** with a turnover of €43.1 billion in 2012 is not only the grocery market leader in the United Kingdom, but also one of the largest food retailers in the world. There are multiple formats of Tesco in the UK including hypermarkets, superstores, supermarkets and convenience stores (Tesco, 2012). **Sainsbury's** as well as **Morrisons**, being the second and third largest food retailers, operate supermarkets and convenience stores (Wm Morrison Supermarkets, 2013; J Sainsbury, 2012).

With **Migros** and **Coop Schweiz** two Swiss food retailers are heading the ranking in Switzerland. Both traders operate various formats from small supermarkets up to large hypermarkets with a sales area of over 8,500 square meters (Migros, 2013; Coop, 2013). The subsequent retail and wholesale traders in the Swiss ranking have a turnover of food and near-food products significantly lower than that of Migros and Coop Schweiz. The sales of Aldi, for example, taking up the third position in the ranking, only represent about one tenth of the sales of Migros. With Migros, Coop Schweiz, Spar Schweiz, Manor and Lekkerland half of the food retailing companies in Switzerland in Table 2 are registered licensees of the Max Havelaar-Stiftung (Schweiz) and are allowed to label some of their products with the FAIRTRADE certification mark (Max Havelaar-Stiftung, n.d.(a)).

Ahold is the unchallenged market leader in the Netherlands with a turnover of €10.1 billion in 2011. Supermarkets represent its core business, but Ahold also operates other formats such as convenience stores. The supermarket chain **C1000** ranking second in 2011 was mostly taken over by the retailer Jumbo Supermarkten the following year (Ahold, 2013; Deutscher Fachverlag, n.d.). Surprisingly, out of the Top Ten food retailers in the Netherlands only Ahold is a certified trade partner of Stichting Max Havelaar (Stichting Max Havelaar, 2013a).

In Austria, food retailing is mainly dominated by German traders. The primary sales channels of the market leader **Rewe-Group** are supermarkets (Billa), consumer markets (Merkur) besides discounters (Penny) and the ADEG-merchants² mostly operating in wholesale trade. The second largest Austrian food retailer, **Spar Österreichische Warenhandels AG**, has various formats ranging from small supermarkets to Interspar hypermarkets. The subsequent positions in the ranking are held by the two German discounters Aldi-Group and Schwarz-Group (Deutscher Fachverlag, n.d.; REWE Group, n.d.). Among the food retailing companies in Austria in Table 2 five actively participate in Fair Trade and are official partners of Fairtrade Österreich which allows them to use the FAIRTRADE certification mark on selected products. Those retailers are Rewe-Group, Spar Österreichische Warenhandels AG, Aldi-Group, Schwarz-Group and Pfeiffer (Fairtrade Österreich, n.d.).

With €32.6 billion, **Carrefour** is the food retailer with the highest sales in France and also Europe's largest trader in terms of turnover. Its main formats are hypermarkets, supermarkets

² Arbeitsgemeinschaft der Einkaufsgenossenschaften

and convenience stores. Carrefour is followed by the hypermarket chain **E. Leclerc** and **Intermarché**, which operate hypermarkets and supermarkets. The German food retailers Schwarz-Group, Aldi-Group and Metro-Group are also represented in the Top 10 of the French ranking (Carrefour, n.d; Deutscher Fachverlag, n.d.; E. Leclerc, n.d; Intermarché, n.d).

Ranking of Top Ten Food Retailers according to Market Share (in %)						
Rank	Germany	United Kingdom	Switzerland	Netherlands	Austria	France
1	Edeka-Group (20.1)	Tesco (16.9)	Migros (29.0)	Ahold (23.1)	Rewe-Group (24.1)	Carrefour (14.0)
2	Rewe-Group (15.6)	Sainsbury's (9.3)	Coop Schweiz (20.6)	C1000 (8.3)	Spar Österreichische Warenhandels AG (17.3)	E. Leclerc (12.0)
3	Metro-Group (13.0)	Morrisons (8.7)	Aldi Süd (3.3)	Jumbo Supermarkten (6.6)	Aldi-Group (12.0)	Intermarché (10.6)
4	Schwarz- Group (12.4)	Asda (8.1)	Schwarz- Group (1.5)	Aldi Nord (5.8)	Schwarz-Group (3.8)	Casino (8.9)
5	Aldi-Group (10.7)	Co- operative Group Ltd (4.0)	Manor (1.4)	Sperwer (5.6)	MPreis (2.2)	Système U (8.4)
6	Lekkerland (3.5)	Alliance Boots (3.5)	Spar Schweiz (1.1)	Schwarz- Group (4.5)	Zielpunkt (1.9)	Auchan (6.3)
7	Tengelmann- Group (3.2)	John Lewis (2.4)	Casino (0.3)	AS Watson (3.2)	dm (1.8)	Schwarz- Group (3.1)
8	dm (1.9)	Marks & Spencer (2.4)	Fressnapf (0.2)	Sligro (2.0)	Pfeiffer (0.9)	Louis Delhaize (2.3)
9	Globus (1.9)	Bestway (1.8)	Müller Ltd & Co. KG (0.1)	Metro-Group (0.2)	BP (0.7)	Aldi-Group (1.3)
10	Schlecker (1.7) / Rossmann (1.7)	Booker (0.7)			Metro-Group (0.2)	Metro-Group (0.1)

Table 3: Market Share of Top Ten Food Retailers in 6 European Countries in 2012

Source: Deutscher Fachverlag, n.d.; Trade Dimensions, 2012

Table 3 ranks the food retailers in the selected countries according to their market share in 2012. This ranking does not conform to the previous one in Table 2, because the market share was calculated as a share of national consumer expenditures for food, drinks and tobacco and is not based on total turnover of the retailers. The data is extracted from Planet Retail, except for Germany. The German figures refer to 2011 and come from Trade Dimensions where the

market share is based on turnover of the retailers in that industry (retail and wholesale). There was no data available for Lekkerland in Switzerland and the Netherlands, resulting in only nine food retailers in the ranking of those two countries.

The food retail industry is increasingly concentrated in the selected countries, although no single retailer is officially defined as holding a dominant position. In the six countries, the market share of the top three retailers ranges from 30% to 50%. Most of these large retailers currently controlling the food retail market are multinational corporations. German and Austrian multinationals such as Schwarz-Group, Aldi-Group or Metro-Group, the French companies Auchan and Carrefour, the British retailer Tesco and the Dutch company Ahold are operating in various countries throughout the world. Many have already gained significant market share abroad (European Economic and Social Committee, 2013).

The three largest food retailers in Germany control 48.7% of the market, while 71.8% of the food retailing market is controlled by the top five companies, revealing a dominant position in the market. In the British, Dutch and French food retail market, the three largest firms control between 34.9% and 38.0% of the market. The five-firm concentration ratio ranges from 47.0% to 53.9%. These combined market shares of the three, respectively five largest retailers, do not reveal a highly dominant position, although showing a concentrated food retail industry. The food retail sector in Switzerland and Austria is highly concentrated with a concentration ratio of the three largest firms of over 50%. Other food retailers in these two countries have market shares below 4%. In Switzerland, the food retailers Migros and Coop Schweiz dominate the market with a combined market share of 49.6%.

The European Economic and Social Committee (EESC), a consultative body at European Union level giving Europe's interest groups a "*formal and institutionalized say on draft EU legislation*", blamed the large food retailers in Europe for holding a real oligopoly (European Union, n.d.). The Commission published an own-initiative opinion in 2013 on "The current state of commercial relations between food suppliers and the large retail sector". One basic statement is quoted below:

"This oligopolistic position gives its member companies an enormous amount of bargaining power over their suppliers. As a result, they are able to impose trading terms on their suppliers which are far from balanced. [...] In other words, the suppliers must make a huge effort and accept many concessions if they wish to deliver their products; the buyers [retailers], meanwhile select those suppliers who are the most "flexible" about their terms and conditions." (European Economic and Social Committee, 2013, pp. 1 and 4)

Table 4 depicts the amount of stores of the different food retailers in each country in 2012. The table is based on information from Planet Retail. Only the German figures originate from Trade Dimensions and refer to 2011. Trade Dimensions includes hypermarkets, supermarkets,

discounter, drugstores, others and cash and carry stores in the category food retailers. For Lekkerland in Switzerland and the Netherlands, no numbers were available.

In most of the six countries the retailers with the highest sales (see Table 2) and the highest market share (see Table 3) also operate the largest amount of stores. On the contrary, Tesco (UK), although being the largest retailer in terms of market share and sales only represents the third position in the ranking of Table 4. The food retail companies Bestway and Co-operative Group Ltd with significantly less market share and a lower sales volume than Tesco have both more stores in the United Kingdom. This also occurs in France, where the retailer Casino operates the largest amount of stores, although not belonging to the Top Three considering sales and market share.

Ranking of Top Ten Food Retailers according to Amount of Stores						
Rank	Germany	United Kingdom	Switzerland	Netherlands	Austria	France
1	Edeka-Group (7,980)	Bestway (3,613)	Migros (1,672)	Ahold (1,946)	Rewe-Group (2,484)	Casino (8,336)
2	Rewe-Group (4,685)	Co-operative Group Ltd (3,597)	Coop Schweiz (1,202)	AS Watson (1,069)	Spar Österreichische Warenhandels AG (1,531)	Carrefour (4,677)
3	Aldi-Group (4,315)	Tesco (3,141)	Spar Schweiz (225)	Sperwer (634)	Aldi-Group (442)	Intermarché (2,636)
4	Schwarz-Group (3,906)	Booker (3,002)	Aldi Süd (162)	Aldi Nord (493)	dm (377)	Schwarz-Group (1,617)
5	Rossmann (1,773)	Alliance Boots (2,487)	Schwarz- Group (89)	C1000 (430)	BP (340)	Système U (1,504)
6	dm (1,323)	Sainsbury's (1,106)	Manor (64)	Schwarz- Group (360)	Zielpunkt (283)	E. Leclerc (999)
7	Norma (1,279)	Marks & Spencer (597)	Müller Ltd Co. & KG (45)	Jumbo Super- markten (299)	MPreis (203)	Aldi-Group (924)
8	Kaiser's Tengelmann (514)	Asda (564)	Fressnapf (44)	Sligro (184)	Schwarz-Group (202)	Auchan (628)
9	Metro-Group (421)	Morrisons (498)	Casino (11)	Metro-Group (17)	Pfeiffer (127)	Louis Delhaize (309)
10	Netto Nord (342)	John Lewis (346)			Metro-Group (12)	Metro-Group (93)

Table 4: Number of Stores of Food Retailers in 6 European Countries in 2012

Source: Deutscher Fachverlag n.d.; Trade Dimensions, 2012

Table 5 indicates the percentage of sales of different distribution channels of food retailing in the selected European countries. The sales channels are classified according to sales area and discount stores are included in the category of supermarkets.

In general, there were no significant changes in the shares of the different types of stores in Europe during the last 10 years. In 2011, hypermarkets had a share of sales of 36% followed by supermarkets with a share of sales of 28%. Consumer markets held a percentage of 25%, the remaining 11% of total sales in the retail industry were generated by other sales channels. Yet, the share of sales of discount stores, here included in the category supermarkets, increased by almost 10% from 1991 to 2011 (The Nielsen Company (Germany), 2013).

Sales Channels in the Food Retail Market				
	Hypermarkets (≥ 2500 sqm)	Consumer Markets (1000-2499 sqm)	Supermarkets (400-999 sqm)	Others
Germany	28%	16%	52%	3%
United Kingdom	59%	20%	10%	11%
Switzerland	25%	31%	22%	22%
Netherlands	4%	51%	40%	5%
Austria	10%	66%	15%	10%
France	56%	21%	18%	4%

Table 5: Shares of Total Sales Volume of Various Sales Channels in the Food Retail Industry in 6 European Countries in 2011

Source: The Nielsen Company (Germany), 2013

Germany is the only country, where supermarkets have the largest share of sales. Taking into account discount stores only, they have a share of sales of over 35%. In the United Kingdom and in France hypermarkets with a sales area larger than 2,500 square meters have the lion's share, contributing nearly 60% to total sales turnover in the respected food retail industry. The total turnover of the Swiss food retail industry is relatively equally apportioned to each sales channel. All types of retail stores had a share between 22% and 31%. In the Netherlands, consumer markets and supermarkets have the highest sales volume in relative terms with a combined market share of 91%. Hypermarkets only have a very small share of total sales accounting for less than 5%. In the Austrian food retailing, consumer markets have the highest share of total sales and the shares of the three remaining categories are all significantly lower (The Nielsen Company (Germany), 2013).

This chapter gave an overview of the retail industry for the selected European countries in this paper, as the sale of Fair Trade products via conventional wholesale and retail trade has contributed to the exponential growth of Fair Trade sales within Europe over the past years. It was also shown that major retailers in the selected European countries offer Fair Trade products carrying the FAIRTRADE certification mark. The following chapter explains the Fair Trade system in more detail in order to complete the background information needed for comparing Fair Trade in the selected European countries.

3 The Fair Trade System

Fair Trade or Fairtrade³ has been defined by FINE⁴ in the following way:

“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 organisations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.” (Fair Trade Advocacy Office, 2001)

As can be seen in the definition of Fair Trade, certain principles and goals underlie the idea of a trading partnership. These are:

- equity in international trade
- sustainable development
- securing the rights of marginalized producers and workers in the South

These principles and goals should be realized via Fair Trade organizations that support producers and engage in awareness rising and campaigning.

How does the Fair Trade system work? How are responsibilities distributed among actors and which organizations are active in Fair Trade? This chapter briefly answers these questions, providing the basic knowledge about the functioning of Fair Trade. It is important to note that on an international level two broad Fair Trade systems can be distinguished. One is operated by Fairtrade Labelling Organizations (FLO) International and the other one by the World Fair Trade Organization (WFTO).

Several principles are common to both Fair Trade systems and shall further ensure the achievement of the set goals. These principles were determined by FINE and include (Cremona and Durán, 2013; Fair Trade Advocacy Office, 2001; Voth, 2013):

- Payment of a **“fair price”** to permit socially just and environmentally thorough production as well as providing **fair remuneration** to allow for a living wage.
- **Provision of credit** when needed.

³ Fairtrade is used by Fairtrade Labelling Organizations (FLO) International and refers exclusively to the Fairtrade system established by FLO. In this article the term Fair Trade will be used, which refers to the Fair Trade movement in general. Products which are produced in line with the Fair Trade principles under the FLO and the WFTO Fair Trade system are considered (FLO International, 2011c; Cremona and Durán, 2013).

⁴ The name is derived from the starting letters of the four Fair Trade organizations: **FLO** (Fairtrade Labelling Organizations) International, **IFAT** (International Federation of Alternative Trade) (now: WFTO (World Fair Trade Organization)), **NEWS!** (Network of European Worldshops), and **EFTA** (European Fair Trade Association) (Nicholls and Opal, 2005).

- Commitment to **long-term trading partnerships** and **co-operative dealings** that allow producers to plan ahead and with a consistent income. It also includes the provision of **market information** to strengthen producers in negotiating their prices with non-Fair Trade buyers.
- Practicing **sustainable production** and thus promoting sustainable development with regard to improving the social, economic, and environmental conditions of production.
- Safeguarding **Human Rights** for producers and implementing **core labor standards**, including the prohibition of labor abuses.
- Strengthening producers' organizations and **participation in the decision-making process**.

International trade under the Fair Trade system is based on these principles and all participants of the Fair Trade system, i.e. small-scale farmers, farm workers, importers, processors, distributors, wholesalers, retailers, and Fair Trade organizations, are in one way or the other affected by these principles.

Furthermore, several standards have to be fulfilled when participating in the Fair Trade system. These standards either refer to products or organizations. FLO International, the umbrella organization for labeling Fair Trade products, follows the **product-certification route** of Fair Trade products. This means that FLO International sets standards for products that must be fulfilled to gain certification for this product. The certification is granted by FLO-CERT Certification of Social Development GmbH, a separate certification company, being ISO 65 accredited. FLO International is the owner of FLO-CERT (FLO International, 2011b; 2011g; Cremona and Durán, 2013; FLO-CERT, n.d.(a)). WFTO, on the other hand, uses the approach of an **integrated supply route** for Fair Trade products. This means that products produced under this system are Fair Trade, because they were sourced and produced in a manner that adheres to the Fair Trade principles and practices set by the WFTO. Since 2013, Fair Trade organizations that comply with the set standards can use the WFTO product label on their products and the WFTO logo on their publications (WFTO, 2013d).

Due to the prevalent information asymmetry between producers and consumers, Fair Trade products are credence goods and thus establishing a certification and labeling system for Fair Trade products has become indispensable. To gain a deeper insight, certification conducted by FLO International and by the WFTO as well as the corresponding supply chain routes will be explained in more detail. Fair Trade participants of the **product-certification route** employed by FLO International will be examined first, before describing certification adopted by the WFTO.

Fair Trade producers: Producers can either be small-scale farmers or farm workers. They are located in the Global South and produce the product (FLO International, 2011e).

Producers wanting to certify their produce as Fair Trade apply at FLO-CERT for certification. Once they fulfill the applicable compliance criteria, which are the translation of the Fair Trade standards into provable control points, they can certify their produce as Fair Trade⁵ (FLO-CERT, 2013a; 2013b).

Fair Trade traders: They are participants that want to manufacture, process, purchase, and sell their products as Fair Trade. This includes importers, processors, manufacturers, distributors and wholesalers (Fairtrade Österreich, 2013a). These operators can be located in the Global South or North. They need a certification issued by FLO-CERT for their produce, as long as they do not trade already labeled and packaged products for the end consumer (FLO-CERT, 2013a).⁶ Thereafter, they can sell their products to other Fair Trade traders, Fair Trade licensees or retailers.

Fair Trade licensees: All enterprises that sell Fair Trade products under their private label brand, need a license and pay license fees. The national labeling initiatives are responsible for issuing the license, which allows using the FAIRTRADE certification mark on the final product, demonstrating to the end consumer that it has been produced under Fair Trade conditions. The national labeling initiatives are situated in the consumer countries in the Global North.⁷ Products carrying the FAIRTRADE certification mark can either be bought from an external provider or produced by the enterprise itself. Retailers or importers can, for example, be Fair Trade licensees (Transfair, n.d.(a)). If the enterprise itself produces the product, it also needs to have a certificate issued by FLO-CERT (Max Havelaar Stiftung, n.d.(b)).

Fair Trade consumers: People who want to buy Fair Trade products can find them in supermarkets, drugstores, convenience shops, online and in Worldshops⁸ (Transfair, n.d. (b)). In 2012, global Fair Trade sales amounted to €4.8 billion and Fair Trade products are now being sold in over 125 countries worldwide (FLO International, 2014).

In the following, the **integrated supply route** will be analyzed and compared to the product-certification route. Under the WFTO Guarantee System⁹, organizations rather than products

⁵ Further information on the certification process of FLO-CERT can be found on their website: <http://www.flo-cert.net/flo-cert/certification.html>.

⁶ A list of all operators certified by FLO-CERT is available on their website: <http://www.flo-cert.net/flo-cert/29.html>.

⁷ If producers or traders want to use the FAIRTRADE mark for promotional purposes or if companies located in a country without a national labeling initiative want to use it, then FLO International is responsible and should be contacted (FLO International, 2011f).

⁸ Worldshops are shops that have Fair Trade at the core of their activities. They mainly offer products that have been sourced via the integrated supply route, but some products carrying the FAIRTRADE certification mark can also be purchased there (Cremona and Durán, 2013).

⁹ The system has been put into place in 2013 and the aim is that a third party will control the implementation of the WFTO Guarantee System by Fair Trade organizations (WFTO, 2013d, Chapter 2).

are certified and the WFTO product label is rewarded once an organization fulfills the Fair Trade standards set by the WFTO (WFTO, 2013d, Introduction¹⁰).

All members of the WFTO, whether they are **trading** or **non-trading members**, have to fulfill a certain set of requirement, so called compliance criteria, and are regularly assessed. The requirements differ depending on the type of member and are generally less strict for non-trading members. For trading members, all activities referring to sourcing, producing, manufacturing and trading are part of the Guarantee System and so are all activities between an organization and its suppliers (WFTO, 2013d, Chapter 2). Trading members are composed of **Producer Fair Trade organizations**, such as producer cooperatives or producer associations and **Marketing Fair Trade organizations** that trade and market Fair Trade products. This category includes, amongst others, exporters, importers, retailers and wholesalers. Non-trading members are, for example, **Fair Trade support or network organizations** and they can use the WFTO product label only if they opt to fulfill the requirements of the Guarantee System (WFTO, 2013d, Glossary and Chapter 5).

Three types of assessment are practiced to ensure compliance with the WFTO Fair Trade standards: self-assessment, monitoring audits and peer visits. In the case of non-trading members, a self-assessment report, an initial monitoring audit and a peer visit is only conducted once. After having qualified as a WFTO member, no further assessments are undertaken, but handing in of audited accounts and annual reports is mandatory (WFTO, 2013d, Chapter 5). For trading members assessments are conducted on a regular basis and include the above mentioned assessment types¹¹ (WFTO, 2013d, Chapter 7). Retailers can purchase various food and non-food products online via the wholesale marketplace of the WFTO, where certified members offer their products. Consumers can also find these products in Worldshops (Cremona and Durán, 2013).

Figure 1 shows the product certification route and the integrated supply route, practiced by FLO International and the WFTO, respectively. The middle part shows a simplified version of the supply chain in the Fair Trade system¹², whereas the upper part shows certification applied by FLO International and the lower part of the Figure, depicts certification related to the WFTO system.

¹⁰ The website provides the links to the various sections of the WFTO Guarantee System Handbook which can be downloaded as pdf files. To find the information given in the text easily, the according part of the Handbook is given behind the source.

¹¹ For detailed information on the WFTO certification process, please refer to the website of the WFTO: <http://www.wfto.com>.

¹² The final consumer would be the last step in the supply chain following the retailer, but since they are not directly affected by certification, they have not been depicted in Figure 1.

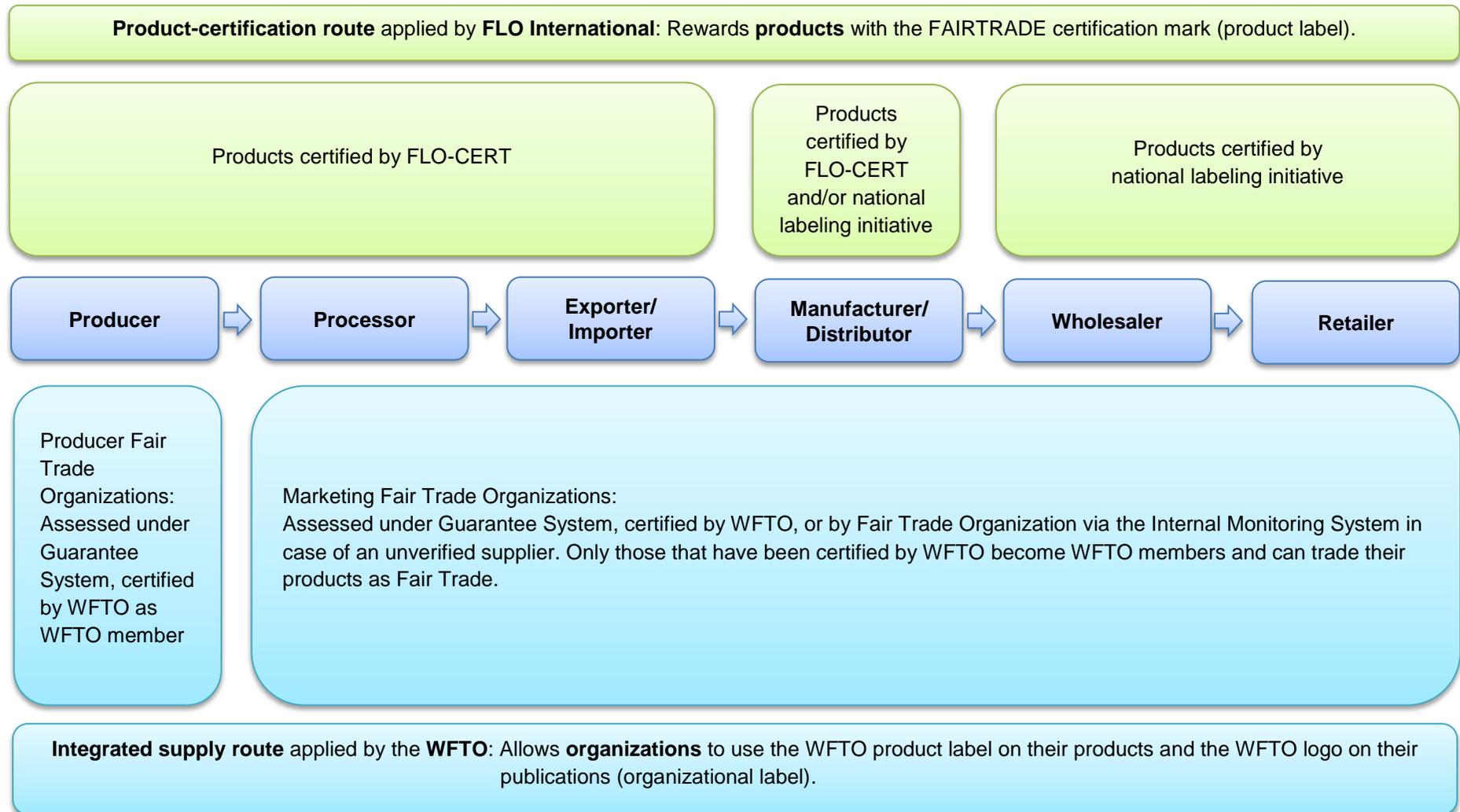


Figure 1: Certification Systems along the Supply Chain in the Fair Trade System

Source: Adapted from WFTO, 2013d; FLO-CERT, 2013a; 2013b; n.d.(b)

The major difference between the two systems is that via the product-certification route products are certified, whereas via the integrated supply route, organizations are certified. It is thus also possible that organizations and companies belong to both systems and use both labels - the FAIRTRADE certification mark and the WFTO product label. A retailer can also receive the WFTO logo, whereas the FAIRTRADE certification mark gives no statement about an organization or company that sells Fair Trade products. A further difference is the way in which certification, as outlined above, is conducted. The product-certification route stresses external, third-party inspection, whereas in the integrated supply route self-assessment and peer reviews are of greater importance. Both organizations, FLO International and the WFTO, are membership-based organizations. In case of FLO International, however, the membership is narrower and consists mainly of the national labeling initiatives situated in the Global North.¹³ The WFTO counts over 400 members in 70 countries in 2014. Yet, in both systems, the Fair Trade principles described at the beginning of the chapter are of central concern (Cremona and Durán, 2013; WFTO, 2013b).

Fair Trade organizations take a crucial role in the Fair Trade system. Table 6 thus gives an overview of the major organizations and their members in the selected European countries. It also lists some companies being active in selling Fair Trade products and provides a summary of the topics discussed in this chapter.

FLO International and the WFTO are both umbrella organizations uniting many institutions that are linked to Fair Trade. The WFTO had a total income of nearly €0.4 million in 2012. FLO International's total income amounted to €15.0 million in 2012. The higher income of FLO International compared to the WFTO is mainly due to higher membership fees on behalf of FLO, calculated as a percentage of license fee income of the national labeling initiatives. FLO further received approx. €6 million via grants (FLO International, 2014; WFTO, 2013c).

¹³ Further members include three producer networks and five Fair Trade marketing organizations.

	<p style="text-align: center;">WFTO</p>  <ul style="list-style-type: none"> • Headquarter: Culemborg, Netherlands • Founded in 1987 • 437 members in 71 countries in 2012 • Tasks: <ul style="list-style-type: none"> ○ setting Fair Trade standards for organizations ○ monitoring and certifying Fair Trade organizations ○ supporting Fair Trade market development ○ advocating Fair Trade at an international level 		<p style="text-align: center;">FLO International</p>  <ul style="list-style-type: none"> • Headquarter: Bonn, Germany • Founded in 1997 • 27 members in 2012 of which 19 were national labeling initiatives • Tasks: <ul style="list-style-type: none"> ○ setting international Fair Trade standards for products ○ Fair Trade inspection and certification (FLO-CERT) ○ supporting Fair Trade producers ○ advocating Fair Trade at an international level 		
	<p style="text-align: center;">Trading Members</p> <p>(Marketing Fair Trade Organizations, i.e. importers, distributors, wholesalers, retailers)</p>	<p style="text-align: center;">Non-Trading Members</p>	<p style="text-align: center;">National Labeling Initiatives</p> <p>(Licensees can be wholesalers, retailers or importers.)</p>	<p style="text-align: center;">FLO-CERT Operators (selection)</p> <p>(FLO-CERT certifies products of producers, processors, manufacturers and traders.)</p>	
<p>Germany</p>	<ul style="list-style-type: none"> • Contigo Fair Trade Gmbh • dwp eG • El Puente GmbH • GEPA - The Fair Trade Company • Swazi Art / Doerfler Bauer GbR • Top QualiTea -Tea Import and Consultancy 	<ul style="list-style-type: none"> • Weltladen-Dachverband e.V. (WL-DV) • IFOAM: International Federation of Organic Agriculture Movements e.V. 	<p>TransFair - Verein zur Förderung des Fairen Handels mit der "Dritten Welt" e.V.:</p> <ul style="list-style-type: none"> • Headquarter: Cologne • Founded in 1992 • Net income in 2012: 20,711€ • Number of licensees in 2012: 251 	<ul style="list-style-type: none"> • BanaFair e.V. • Dole Fresh Fruit Europe OHG • GEPA - The Fair Trade Company • J. J. Darboven Holding AG & Co. KG • Südzucker AG Mannheim/Ochsenfurt • Tchibo GmbH 	
<p>Netherlands</p>	<ul style="list-style-type: none"> • A beautiful story • Barbosa do Brasil • Lanka Lamai • Stichting SawaHasa (SawaHasa Foundation) • Tahoua Import • Textielwerkplaats Sari V.O.F. • Tuyu BV 	<ul style="list-style-type: none"> • Centrum Mondiaal • European Fair Trade Association (EFTA) 	<p>Stichting Max Havelaar</p> <ul style="list-style-type: none"> • Headquarter: Utrecht • Founded in 1988 • Net income in 2012: 267,527€ • Number of licensees in 2012: 132 	<ul style="list-style-type: none"> • Ben & Jerry's Hellendoorn • Dutch Cocoa BV • Fair Trade Original • Fyffes BV • Gebana BV • Koninklijke Douwe Egberts B.V. • Starbucks Manufacturing EMEA B.V. 	
<p>Switzerland</p>	<ul style="list-style-type: none"> • claro fair trade AG • El Tucan GmbH • Gebana AG 	<ul style="list-style-type: none"> • Association Romande des Magasins du Monde (ASRO) 	<p>Max Havelaar-Stiftung (Schweiz):</p> <ul style="list-style-type: none"> • Headquarter: Basel • Founded in 1992 • Net income in 2012: 556,741¹€ • Number of licensees in 2012: 130 	<ul style="list-style-type: none"> • Chiquita Brands International Sàrl • Coop Reiferei • Emmi Schweiz AG • Illycafé AG • Maestrani Schweizer Schokoladen AG • Nestlé Suisse SA • Starbucks Coffee Trading Company Sàrl 	

	Trading Members	Non-Trading Members	National Labeling Initiatives	FLO-CERT Operators (selection)
Austria	<ul style="list-style-type: none"> EZA Fairer Handel GmbH 	<ul style="list-style-type: none"> Arbeitsgemeinschaft zur Förderung der Weltläden (ARGE) 	<p>FAIRTRADE Österreich - Verein zur Förderung des fairen Handels mit den Ländern des Südens</p> <ul style="list-style-type: none"> Headquarter: Vienna Founded in 1993 Net income in 2012: 10,268€ Number of licences in 2012: 75 	<ul style="list-style-type: none"> AGRANA Fruit Austria GmbH C+C Pfeiffer GmbH Lemberona HandelsgmbH SPAR Österreichische Warenhandels-AG Regio Kaffeerösterei UNIVÉG Austria GmbH zotter Schokoladen Manufaktur GmbH
France	<ul style="list-style-type: none"> Artisanat Sel Au-delà des Frontières (ADDF) BeadforLife Europe Boutic Ethic Solidar'Monde 	<ul style="list-style-type: none"> Fédération Artisans du Monde Plate-Forme pour le Commerce Equitable (PFCE) 	<p>Association Max Havelaar France</p> <ul style="list-style-type: none"> Headquarter: Montreuil Founded in 1992 Net income in 2012: 150,953€ Number of licensees in 2012: 215 	<ul style="list-style-type: none"> Dole France SAS Ethiquable Nestlé France ProNatura SA Sageco Segafredo Zanetti France SAS Unilever France Univeg Katope France
United Kingdom	<ul style="list-style-type: none"> Created Distribution Ecoffins Global Crafts Europe Ltd Pachacuti Ltd People Tree Ltd Re-wrap association The Fair Trade Furniture Co Ltd The India Shop / New Overseas Traders Wayfairer Ltd 	<ul style="list-style-type: none"> Shared Interest Society Ltd Traidcraft Exchange BAFTS - British Association of Fair Trade Shops and Suppliers 	<p>Fairtrade Foundation:</p> <ul style="list-style-type: none"> Headquarter: London Founded in 1992 Net income in 2012: 931,690²€ Number of licensees in 2012: 354 	<ul style="list-style-type: none"> British Sugar plc Lush Manufacturing Ltd MARS Inc. Nestlé UK Ltd Traidcraft plc Twin Trading Ltd
<p>¹ Data in € is calculated with the average exchange rate of 1.2053CHF/€ (Source: Deutsche Bundesbank, 2014). ² Data in € is calculated with the average exchange rate of 0.81087£/€ (Source: Deutsche Bundesbank, 2014).</p>				

Table 6: Overview of Major Fair Trade Organizations and Participants in Selected European Countries

Source: Adapted from FLO International, 2014; WFTO, 2013a; 2013d; FLO-CERT, n.d.(b); Stichting Max Havelaar, 2013b; Transfair, 2014; Association Max Havelaar France, 2012b; 2014; Fairtrade Österreich, 2014; Max Havelaar Stiftung, 2013; The Fairtrade Foundation 2013a; 2013b; Cremona and Durán, 2013

The second column in Table 6 displays members of the WFTO. They have Fair Trade at the core of their activities and can be separated into trading and non-trading members. Under trading members important trading organizations of Fair Trade products can be found, for example:

- GEPA - The Fair Trade Company (Germany)
- claro fair trade AG (Switzerland)
- EZA Fairer Handel GmbH (Austria)
- Solidar'Monde (France)

Not all important trading organizations of Fair Trade products, however, are trading members of the WFTO. Traidcraft plc, for example, listed in the last column, is a major Fair Trade importing organization in the UK and works very closely with Traidcraft Exchange, listed under non-trading members in Table 6. They both belong to the Traidcraft Foundation (Traidcraft, 2014a; 2014b). Fair Trade Original is no longer a trading member of the WFTO. It ended its membership in 2011, yet it is a major importer of Fair Trade products and an important Fair Trade organization in the Netherlands. But it is listed in the last column of Table 6 as some of its products are certified by FLO-CERT. Thus, the major Fair Trade organizations are either connected to the WFTO, FLO International or both.

In the column of non-trading members, organizations that unify the Worldshops in the selected countries are listed, e.g. Weltladen-Dachverband. Also, further non-profit organizations that support Fair Trade via networking and campaigning can be found there.

Organizations belonging to FLO International are the national labeling initiatives (listed in the third column of Table 6) that provide the license for using the FAIRTRADE certification mark, as well as FLO-CERT, being responsible for certifying products of producers, processors, manufacturers and traders. Whether an organization is certified by FLO-CERT and/or if it is a licensee of the national labeling initiative, does not provide any information about the practices of that organization with regard to Fair Trade. It simply allows them to sell all or part of their products as Fair Trade under the system operated by FLO International (Cremona and Durán, 2013). The third column gives the number of all licensees regarding the national labeling initiatives. Some licensees are also traders listed in column four, such as GEPA - The Fair Trade Company (Transfair, n.d.(a)). The last column shows a selection of traders being certified by FLO-CERT, thus allowing them to sell some of their products as Fair Trade (FLO-CERT, n.d.(b)). As can be seen, an organization can be a member of the WFTO and sell its products under the system operated by FLO International.

4 Development of Fair Trade Sales

The sales of Fair Trade products showed a remarkable development during the last decade. The global sales volume nearly quintupled since 2005. Moreover, Germany realized an enormous growth up to more than €500 million in 2012 after a period of constant sales in the beginning of this century (approximately €50 million per year). Over the same period three main events characterized the Fair Trade development:

- The association and improved cooperation of different national and international Fair Trade organizations. An example is the publication of a common definition of Fair Trade by the international organizations “EFTA, FLO, IFAT and NEWS!” in 2001 (see Chapter 3).
- The incorporation of national labeling initiatives under the roof of FLO International in 1997, the introduction of an international Fair Trade seal (FAIRTRADE certification mark) in 2002 and the split of FLO into two independent organizations “Fairtrade standards and producer support” as well as “Inspections and Certification” (FLO-CERT) in 2004 (FLO International, 2011d).
- The entry of Fair Trade products into the conventional wholesale and retail trade.

The last-mentioned point showed a paradigm change in the sales and distribution of Fair Trade products. In the beginning of the Fair Trade development most of the Fair Trade products were sold in Worldshops; but during the last decade the leading Fair Trade initiatives started co-operations with conventional trade chains. *“The fairtrade movement diverged into two discrete paths: an idealist orientation toward trade and justice, structural change, and human solidarity; and an instrumentalist focus on certification and market expansion.”* (Dolan, 2008). In Chapter 2, one could see that most of the analyzed European wholesalers and retail traders cooperate with the national labeling initiatives, selling some of their own-branded products as Fair Trade.

More than 50% of the Fair Trade retail sales, realized by FLO during the years 2008 to 2012, are represented by the six considered European countries. This share increased to above two-thirds in 2012, because Fair Trade USA (FTUSA) announced resignation of its membership from the international Fair Trade system in September 2011. Insofar, Table 7 does not include the annual growth rate of total Fair Trade sales.

All considered countries (except France) realized two digit growth rates of Fair Trade sales. Especially the over proportional growth rates in Germany, the United Kingdom and the Netherlands are outstanding. The Fairtrade Foundation was able to realize this growth on the background of an already existing high sales volume.

Development of Fair Trade Retail Sales (in million €)						
	2008	2009	2010	2011	2012	Annual Growth Rate 2008-2012
Germany	212.8	267.5	340.0	400.5	533.1	25.81%
United Kingdom	880.6	897.3	1,344.0	1,531.5	1,904.9	21.28%
Switzerland	168.8	180.2	219.9	264.8	311.6	16.56%
Netherlands	60.9	85.8	119.0	147.3	186.1	32.22%
Austria	65.2	72.0	87.0	100.0	107.0	13.18%
France	255.6	287.7	303.3	315.4	345.8	7.85%
Total	1,643.9	1,790.5	2,413.2	2,726.2	3,388.5	19.82%
FLO total	2,954.4	3,394.2	4,360.9	4,916.4	4,802.4 ¹	

¹ Without sales in the United States of America

Table 7: Fair Trade Retail Sales in 6 European Countries 2008-2012

Source: Adapted from FLO International, 2011a; 2013; 2014

It should be mentioned that these sales volumes are still very small with respect to the total consumption expenditures of private households. In the period considered, the German consumption expenditure for food and non-alcoholic beverages added up to €149.1 billion in 2008 and €169.9 billion in 2012 (see Table 1 in Chapter 2).

The volume of Fair Trade sales represents less than 0.5% of these expenditures. Two restrictions should be mentioned. The Fair Trade sales published by national labeling initiatives include non-food products like flowers and textiles. Insofar the calculated share of 0.5% is overestimated. On the other hand, an important part of the consumption expenditures for food and nonalcoholic beverages has no direct relation to Fair Trade. As an example the total German expenditures for coffee, tea and cacao had a value of €5.36 billion (in 2010), whereas the sales of meat products reached a value of more than €30 billion. In contrast to coffee and tea, meat is no Fair Trade product (Statista, 2014b; 2014c).

Possible future developments can be estimated with the help of an analysis of the per capita expenditures for Fair Trade products. Table 8 shows enormous differences in the considered countries.

Per Capita Expenditures for Fair Trade Products (in €/person)						
	2008	2009	2010	2011	2012	Annual Growth Rate 2008-2012
Germany	2.59	3.26	4.16	4.9	6.51	25.91%
United Kingdom	14.31	14.47	21.51	24.30	30.00	20.33%
Switzerland	22.23	23.39	28.25	33.64	39.17	15.21%
Netherlands	3.71	5.21	7.18	8.84	11.12	31.58%
Austria	7.84	8.62	10.39	11.9	12.73	12.88%
France	3.99	4.47	4.69	4.85	5.29	7.31%

Table 8: Per Capita Fair Trade Retail Sales in 6 European Countries 2008-2012

Source: Adapted from Eurostat, 2014c; FLO International, 2011a; 2013; 2014

Switzerland showed the highest per capita consumption during the considered period. In 2012, a Swiss consumer spent €39.17 per year on Fair Trade products. Germany realized annual average growth rates of more than 25% during the same period, but the result in 2012 represents less than one sixth of the Swiss per capita consumption. Switzerland had a population of 7.9 million persons whereas the German population amounted to 81.9 million in 2012 (Eurostat, 2014c). If Germany was able to realize a per capita consumption comparable to Switzerland, the German sales of Fair Trade products would increase up to €3.2 billion per year.

Unfortunately, a complete comparison of the consumption of specific products in the considered countries is not possible. Germany, the Netherlands, Switzerland and France publish the sales of Fair Trade products in volumes (tons or liters), whereas publications of Fair Trade organizations in the United Kingdom and Austria present values (in the respective currency). For that reason the figures of these countries, shown in Tables 9 to 13, are presented in shaded areas. Before the data of the six countries are compared, it is helpful to consider their different populations in 2012 (Eurostat, 2014c):

- Germany: 81.918 million
- Switzerland: 7.930 million
- Netherlands: 16.752 million
- France: 65.433 million
- United Kingdom: 63.244 million
- Austria: 8.458 million

Fair Trade Retail Sales by Products – Coffee			
	2008	2012	Annual Growth Rate 2008-2012
Germany (in tons)	4,962	9,322	17.1%
Switzerland (in tons)	1,459	2,630	15.9%
Netherlands (in tons)	3,091	4,052	7.0%
France (in tons)	no data	9,308	no data
United Kingdom (in million €) (in tons)	172.4 (9,666)	237.3 (no data)	8.3% (no data)
Austria (in million €)	12.4	19.3	11.7%

Table 9: Fair Trade Sales of Coffee in 6 European Countries 2008-2012

Source: Adapted from Transfair 2010; 2014; Stichting Max Havelaar, 2009; 2013b; Association Max Havelaar France, 2014; Fairtrade Österreich, 2010; 2014; The Fairtrade Foundation, 2011; Max Havelaar Stiftung 2009; 2013

Coffee is the top-selling Fair Trade product in Germany. Its share of the total German Fair Trade revenues was 47.1% in 2012 (Statista, 2014a). The average annual growth rate of coffee consumption was 17.1% and thus the highest of all reviewed countries. However, the 9,322 tons of Fair Trade coffee represent not more than 1.59% of the 584,950 tons total consumption of raw coffee in 2012 (Deutscher Kaffeeverband, n.d.). The German per capita consumption of Fair Trade coffee was 0.11 kg (roasted coffee), whereas the total per capita consumption amounted to 7.27 kg per year (raw coffee)¹⁴. Insofar the sales values are remarkable, but they still represent a very small market share.

Switzerland holds the highest per capita Fair Trade coffee consumption. In 2012, an average Swiss consumer purchased 0.33 kg of Fair Trade coffee. But this figure is again relatively small compared to the total per capita consumption of 7.85 kg.

In 2012, consumers in the United Kingdom spent more than €3.00 on Fair Trade coffee on average. This is an astonishing result for a country with the lowest per capita coffee consumption (2.79 kg in 2012) of all analyzed countries. On the contrary, Austrian consumers spent €2.28 on Fair Trade coffee. This result seems to be relatively low, as the Austrian coffee consumption per capita amounted to 9.00 kg in 2012 (Deutscher Kaffeeverband, n.d.).

¹⁴ During the process of coffee roasting, raw coffee loses approx. 20% of its volume.

Fair Trade Retail Sales by Products - Tea			
	2008	2012	Annual Growth Rate 2008-2012
Germany (in tons)	202	200	-0.2%
Switzerland (in tons)	36	45	3.6%
Netherlands (in tons)	77	638	69.8%
France (in tons)	no data	418	no data
United Kingdom (in million €)	81.4	98.3	4.8%
Austria (in million €)	no data	no data	no data

Table 10: Fair Trade Sales of Tea in 6 European Countries 2008-2012

Source: Adapted from Transfair 2010; 2014; Stichting Max Havelaar, 2009; 2013b; Association Max Havelaar France, 2014; Fairtrade Österreich, 2010; 2014; The Fairtrade Foundation, 2011; Max Havelaar Stiftung 2009; 2013

In comparison to the other considered countries, the United Kingdom has by far the highest per capita tea consumption (2.1 kg in 2011). The other countries realized an annual consumption per person of less than one kilogram. France shows the lowest per capita consumption (0.3 kg), whereas German and Dutch consumers purchase between 0.5 kg and 1.0 kg (Food and Agricultural Organizations of the United Nations, 2014). The Fair Trade sales of tea illustrate very different consumer behaviors in the countries. Dividing the sales in the United Kingdom (€98.3 million in 2012) by an assumed price of 40.00 €/kg, sales amount to 2,500 tons per year. This result reflects the British preference for tea, when compared to the other countries. However, it is astonishing that the British sales volume of Fair Trade coffee accounts for more than twice the sales volume of Fair Trade tea.

The sale of fairly traded tea seems to play no substantial role in Germany. The market share of tea accounted for 1.5% of total Fair Trade sales in 2012 compared to the market share of coffee of 47,1% (Statista, 2014a). Furthermore, there was no growth of sales volumes between 2008 and 2012. The development in Switzerland is comparable with regard to the level of growth of tea consumption. German consumers purchase 2.5 g of Fair Trade tea on average, Swiss consumers 5 g.

On the other hand, the Netherlands realized an extraordinary increase in sales of fairly traded tea. The annual growth rate reached approximately 70% (!). As a result, the Dutch consumption of Fair Trade tea was three times higher than the German purchases in 2012. Nevertheless, the per capita consumption of Fair Trade tea is still quite low (38 g).

Fair Trade Retail Sales by Products - Bananas			
	2008	2012	Annual Growth Rate 2008-2012
Germany (in tons)	12,000	21,139	15.2%
Switzerland (in tons)	28,019	27,958	-0.1%
Netherlands (in tons)	4,634	21,771	47.2%
France (in tons)	no data	9,308	no data
United Kingdom (in million €)	231.8	299.1	6.6%
Austria (in million €)	20.9	26.8	11.7%

Table 11: Fair Trade Sales of Bananas in 6 European Countries 2008-2012

Source: Adapted from Transfair 2010; 2014; Stichting Max Havelaar, 2009; 2013b; Association Max Havelaar France, 2014; Fairtrade Österreich, 2010; 2014; The Fairtrade Foundation, 2011; Max Havelaar Stiftung 2009; 2013

In contrast to coffee and tea, ad valorem taxes are imposed on the imports of bananas from non EU/ACP-countries to the European Union. The production of bananas in Italy, Spain and so called ACP-countries (former colonies of France and the United Kingdom in Africa, the Caribbean and the Pacific) is protected in this way. Switzerland imposes no ad valorem taxes on bananas (European Commission, 2011; World Trade Organization, 2014).

The worldwide production of bananas amounts to 100 million tons. The biggest part is consumed in the producing countries. Only one fifth of the production is provided for exports. German consumers purchase approximately 800,000 tons of bananas every year (Bundesministerium für Ernährung und Landwirtschaft, 2014). Insofar, the German consumption of Fair Trade bananas represented nearly 2.5% of the total banana consumption in 2012. However, the growth rates were relatively high during the last years. On the other hand, the development and level of the Dutch and Swiss Fair Trade sales of bananas are remarkably high. The average annual growth rates of the Netherlands were 47.2%. As a result the levels of sales in Germany and the Netherlands are nearly equal, although the populations differ by a factor of five. The level of consumption in Switzerland is even more impressive. The per capita consumption of Fair Trade bananas amounts to 3.5 kg (Germany 250 g) per capita. According to Max Havelaar Stiftung, Swiss Fair Trade bananas represent more than 50% of the total banana sales. For example, 95% of bananas sold by Coop Schweiz, the second largest retailer in Switzerland, are Fair Trade certified.

Even more notable are the absolute values for the United Kingdom. The consumption of Fair Trade bananas amounted to approximately 190,000 tons in 2008, thereof 170,000 tons conventional and 20,000 tons organic bananas (Smith, 2010). The corresponding sales volume increased by 7% annually until 2012.

Fair Trade Retail Sales by Products - Fruit Juice			
	2008	2012	Annual Growth Rate 2008-2012
Germany (in 1,000 liters)	4,465	6,108	8.1%
Switzerland (in 1,000 liters)	9,558	10,520	2.4%
Netherlands (in 1,000 liters)	1,377	1,749	6.2%
France (in tons)	no data	4,689	no data
United Kingdom (in million €)	26.5	17.9	-9.4%
Austria (in million €)	5.9	8.6	9.9%

Table 12: Fair Trade Sales of Fruit Juice in 6 European Countries 2008-2012

Source: Adapted from Transfair 2010; 2014; Stichting Max Havelaar, 2009; 2013b; Association Max Havelaar France, 2014; Fairtrade Österreich, 2010; 2014; The Fairtrade Foundation, 2011; Max Havelaar Stiftung 2009; 2013

The consumption of Fair Trade juice seems to have no importance in most of the countries. German sales of fruit juice represented nearly 1.9% of the total Fair Trade sales in 2012. The German per capita consumption of Fair Trade fruit juice was 0.07 liters, whereas the total per capita consumption of juice amounted to 33.9 liters (Statista, 2014d). The growth rates of Fair Trade juice consumption are relatively low in comparison to the other considered products.

Fair Trade Retail Sales by Products - Sugar			
	2008	2012	Annual Growth Rate 2008-2012
Germany (in tons)	1,250	2,335	15.6%
Switzerland (in tons)	429	493	3.5%
Netherlands (in tons)	94	844	73.0%
France (in tons)	no data	4,322	no data
United Kingdom (in million €)	135.3	677.2	49.6%
Austria (in million €)	no data	no data	no data

Table 13: Fair Trade Sales of Sugar in 6 European Countries 2008-2012

Source: Adapted from Transfair 2010; 2014; Stichting Max Havelaar, 2009; 2013b; Association Max Havelaar France, 2014; Fairtrade Österreich, 2010; 2014; The Fairtrade Foundation, 2011; Max Havelaar Stiftung 2009; 2013

The sales of sugar and sugar products showed very high growth rates in the Netherlands and the United Kingdom. The British consumption increased to €677.2 million in 2012. The share of all Fair Trade sales was 25%, in contrast to Germany with a share of 1.9% (Statista, 2014a). The development in the United Kingdom is influenced by the activities of market leaders like Cadbury and Nestlé. Examples are the introduction of Fair Trade chocolate by Cadbury and the “KitKat four finger” by Nestlé. Furthermore, the British data includes the sales of sugar products, e.g. chocolate, whereas the German data represents the consumption of raw sugar.

Table 14 shows that the per capita consumption of Fair Trade products developed differently in the considered countries between 2008 and 2012. Consumers in Switzerland and the United Kingdom increased their consumption per person by more than €15.00, Dutch consumers by approximately €7.00. Although German consumers doubled the per capita consumption of Fair Trade products, they increased their expenditures by less than €4.00. French consumers showed by far the lowest absolute growth (€1.30). Major retailers in all considered countries offer Fair Trade products (see Chapter 2); but their marketing of Fair Trade might differ. This could have an effect on the development of Fair Trade sales. The different growth of Fair Trade consumption could have also been affected by the activities of the Fair Trade organizations in the respective countries.

Per Capita Consumption (in €/person)						
	Food and non-alcoh. beverages 2008	Fair Trade Products 2008	Share of Fair Trade Products 2008	Food and non-alcoh. beverages 2012	Fair Trade Products 2012	Share of Fair Trade Products 2012
Germany	1,813	2.59	0.14%	2,078	6.51	0.31%
United Kingdom	1,593	14.31	0.90%	1,780	30.00	1.69%
Switzerland	2,449	22.23	0.91%	3,075	39.17	1.27%
Netherlands	1,835	3.71	0.20%	1,939	11.12	0.57%
Austria	1,887	7.84	0.42%	2,035	12.73	0.63%
France	2,240	3.99	0.18%	2,405	5.29	0.22%

Table 14: Share of Fair Trade Products on the Per Capita Consumption of Food and Non-Alcoholic Beverages

Source: Adapted from Tables 1 and 4 and Eurostat, 2014c

The importance of Fair Trade retail sales remains relatively low compared to the total per capita consumption of food and non-alcoholic beverages. Only in the Netherlands and the United Kingdom, Fair Trade had a share of more than 1% in 2012. The results for Germany (0.31%) and France (0.22%) show that Fair Trade products represent, despite their growth, not more than a niche market in the food retail industry.

5 Activities of Fair Trade Organizations

In this chapter, the activities of the national labeling initiatives in the selected countries will be described in more detail, as they can play an important role for Fair Trade development within the retail industries. Since the national labeling initiatives are mainly financed by license fees paid by Fair Trade licensees, these fees will be examined in the following. Furthermore, this chapter deals with specific activities of the national labeling initiatives and the trust in and the recognition of the **FAIRTRADE certification mark** in the six selected European countries.

Table 15 shows the license fees for selected products or product categories in the six European countries that are issued by the corresponding national labeling initiative. The license fees for Germany, Austria, France and the Netherlands are mostly calculated in volume terms and generally comparable. In the Netherlands, however, the license fee for juice, cacao/drinking chocolate and chocolate, biscuits and confectionary are calculated differently. It is a value-based license fee levied on the purchase value of the product. The national labeling initiatives of Switzerland and the United Kingdom charge value-based license fees, which will be explained later in more detail. Furthermore, the classification of the product groups differs among some of the countries, e.g. the license fee for fresh tropical fruit includes vegetables in the Netherlands, but excludes bananas in Austria.¹⁵ The national labeling initiative of France, **Association Max Havelaar**, issues various license fees for different fruits (Fairtrade Österreich 2013a; Association Max Havelaar France, 2012a; Stichting Max Havelaar, 2013c).

In every country, the license fee refers to the net value, meaning either the weight of the product without packaging or the net invoice value, wholesale value or purchase value in the respective currency. An exception to this is Switzerland, where the national labeling initiative, **Max Havelaar Stiftung**, charges a fee of 2% on the final sales price (Max Havelaar Stiftung, n.d.(c)).

The Fairtrade Foundation, the national labeling initiative of the United Kingdom, issues a value-based license fee that depends on the annual sales volume of the licensee. For the first £5 million of annual sales, a 1.7% license fee is charged. If the annual sales volume is between £5 and £10 million, the license fee is 1.7% for the first £5 million and 1.6% on the amount exceeding the £5 million. Thus, the higher the sales, the lower the percentage license fee on incremental annual sales¹⁶ (The Fairtrade Foundation, n.d.(a)).

¹⁵ The license fee for bananas amounts to 0.03€/kg in Austria.

¹⁶ License fees: 1.3% on incremental annual sales between £10 million and £20 million; 0.9% on incremental annual sales between £20 million and £40 million; 0.6% on incremental annual sales between £40 million and £80 million; 0.4% on incremental annual sales £80 million and £160 million and 0.2% on incremental annual sales over £160 million.

License Fees of Selected Product Categories							
	Germany (€/kg)	United Kingdom ²	Switzerland ²	Netherlands		Austria (€/kg)	France (€/kg)
				€/kg	value based ²		
Coffee	0.22	value based	value based	0.22	-	0.22	0.18
Juice¹	0.03	value based	value based	-	2.5%	0.03	0.04
Rice	0.08	value based	value based	0.08	-	0.08	0.12
Cacao/ Drinking Chocolate	0.16	value based	value based	-	2.5%	0.16	0.18
Honey	0.18	value based	value based	0.16	-	0.18	0.15
Chocolate	0.22	value based	value based	-	2.5%	0.22	0.40
Fresh Tropical Fruit	0.03	value based	value based	0.04	-	0.06	0.03 ³
Tea	0.42	value based	value based	0.42	-	0.42	0.55
Sugar	0.08	value based	value based	0.06	-	0.07	0.09

¹ Data for juice is given in €/liter.
² License fees are calculated on the basis of sales.
³ Number refers to fresh bananas.

Table 15: License Fees by Labeling Initiatives in 6 European Countries in 2012

Source: Adapted from TransFair, n.d.(c); The Fairtrade Foundation, n.d.(a); Max Havelaar Stiftung, n.d.(c); Stichting Max Havelaar, 2013c; Fairtrade Österreich 2013a; Association Max Havelaar France, 2012a

Germany, Austria, France and the Netherlands are comparable concerning the levied license fees, as can be seen in Table 15. The highest fees apply to tea with 0.42 €/kg to 0.55 €/kg, followed by chocolate with 0.22 €/kg to 0.40 €/kg and coffee with 0.18 €/kg to 0.22 €/kg. The relatively big gap between the fees for chocolate in Germany or Austria compared to France is noticeable here. Low license fees, in contrast, account for groceries like sugar with around 0.07 €/kg, as well as for fresh tropical fruit with 0.03 €/kg to 0.06 €/kg and juice with 0.03 €/kg or 0.04 €/kg.

There are further similarities regarding license fees in the selected countries concerning minimum fees and reductions or discounts. A minimum license fee is issued for all licensees and varies across the countries. This minimum fee is usually used to cover the administrative costs of the national labeling initiative. Normally, licensees pay a minimum license fee

between €123¹⁷ (in the United Kingdom) and €2,000 (in the Netherlands and France) per year, which can be paid quarterly. Besides, most national labeling initiatives grant reductions of or give discounts on the license fees. These discounts or reductions offered to the licensee depend on the type of the licensee and its activities. Reductions are granted e.g. for companies that count as small licensees or do not manufacture or process the products themselves. Discounts are, among other things, granted if the licensee has achieved a high sales volume during the year. The granted discounts and reductions are additionally linked to certain conditions, like strict obedience to the Fair Trade regulations and punctual payments of the license fees (TransFair, n.d.(c); The Fairtrade Foundation, n.d.(a); Max Havelaar Stiftung, n.d.(c); Stichting Max Havelaar, 2013c; Fairtrade Österreich 2013a; Association Max Havelaar France, 2012a).

License fees are the major income source of the national labeling initiatives. Further important sources of income are grants and donations. Table 16 gives an overview of the income and expenditures incurred by the national labeling initiatives in the selected countries. The number of licensees and employees gives further information regarding the national labeling initiatives and indicates the presence of Fair Trade in general in the chosen countries. Of course, the level of income of the organizations is mainly affected by the level of license fees, which is linked to the number of licensees. The amount of expenditures and the workforce of the national labeling initiatives are related to the activities of every organization. The expenditures are composed of administrative and staff costs, costs for licensing and market development, support for products and producers and public relations, public education and awareness rising (The Fairtrade Foundation, 2013a; TransFair, 2014; Fairtrade Österreich, 2014; Stichting Max Havelaar, 2013b; Association Max Havelaar France, 2014; Max Havelaar Stiftung, 2013).

With a total income of approximately €17.8 million and total expenditures of €16.0 million realized by **The Fairtrade Foundation**, 354 licensees and 101 employees, the national labeling initiative in the United Kingdom is the biggest one of the compared organizations. **Fairtrade Österreich** is the smallest organization in terms of size, with a total income of €1.7 million and total expenditures of €1.6 million, 15 employees and 75 licensees. The income and expenditures of the other four labeling initiatives amounted to around €5 million in 2012.

Moreover, the number of licensees and employees in every country seems to be related to the amount of total income and expenditures incurred by the national labeling initiatives. In Germany, Switzerland and Austria, part of the employees in the national Fair Trade organizations work part-time, resulting in a higher headcount. In Germany, 36 employees work for 32 full-time positions. In Austria, 15 employees share 11 full-time positions and in

¹⁷ Data in € is calculated with the average exchange rate of 0.81087£/€ for 2012 (Source: Deutsche Bundesbank, 2014).

Switzerland 28 employees are distributed to 21.25 full-time jobs (TransFair, 2014; Max Havelaar Stiftung, 2013; Fairtrade Österreich, 2013b).

Key Data of National Labeling Initiatives				
	Total Income (in million €)	Number of Licensees	Total Expenditures (in million €)	Number of Employees
TransFair (Germany)	5.6	251	5.5	36
The Fairtrade Foundation (United Kingdom) ¹	17.8	354	16.0	101
Max Havelaar Stiftung (Schweiz) ²	6.1	130	5.8	28
Stichting Max Havelaar (Netherlands)	3.9	132	3.7	18
Fairtrade Österreich (Austria)	1.7	75	1.6	15
Association Max Havelaar (France)	4.3	215	4.1	23
¹ Data in € is calculated with an average exchange rate of 0.81087£/€ for 2012. ² Data in € is calculated with an average exchange rate of 1.2053CHF/€ for 2012. (Source: Deutsche Bundesbank, 2014)				

Table 16: Key Indicators of National Labeling Initiatives in 2012

Source: Adapted from TransFair, 2014; Trans Fair, n.d.(a); The Fairtrade Foundation, 2013a; The Fairtrade Foundation, 2013b; Max Havelaar Stiftung, 2013; Stichting Max Havelaar, 2013b; Fairtrade Österreich, 2014; Fairtrade Österreich, 2013b; Association Max Havelaar France, 2012b; 2012c; 2014

One of the major tasks of the national labeling initiatives, besides issuing licenses for using the **FAIRTRADE certification mark** on products, is the awareness rising for Fair Trade in their countries. An important way for doing so is the organization of various campaigns. In Germany, **Transfair** has established regularly occurring campaigns like the Fairtrade-Coffee-Day, Fairtrade Chocolate-Day, Banana Day, Fairtrade-Juiceday, Coffee.Break.Fair!, Fair Week or the annual Fairtrade Breakfast (TransFair, n.d.(d)). Thus, Germany is, besides the United Kingdom, one of the countries with the highest number of national and international campaigns. In the United Kingdom, **The Fairtrade Foundation** initiated the Fairtrade Fortnight, which is an annual campaign with changing topics. During these two weeks,

different events are taking place with the possibility to donate or sign petitions for the respective topic (The Fairtrade Foundation, 2014). The aim of these campaigns is to remind consumers of their responsibility and influence via their buying decisions and to encourage them to purchase Fair Trade products. Such campaigns are established in most of the countries that participate in Fair Trade. The World Fair Trade Day, initiated by the **World Fair Trade Organization (WFTO)**, is a globally celebrated day that takes place on the second Saturday of May each year to promote Fair Trade worldwide (WFTO, 2014).

Besides, there are campaigns that focus on different institutions and they are not restricted to a certain time, but aim at permanently reminding people about Fair Trade. Institutions can qualify as being Fair Trade by fulfilling certain requirements, set by the national labeling initiatives. If all requirements are fulfilled, they can call themselves: Fairtrade University, Fairtrade College, Fairtrade School, Fairtrade Workplace, Fairtrade Congregation or Fairtrade Town (The Fairtrade Foundation, n.d.(b)). The applicable criteria can differ depending on the kind of community they refer to, but are mostly the same for all participating countries.

Recently, more and more Fairtrade Towns have been established in the European countries compared in this paper. Since Fairtrade Towns are the most common form of Fairtrade communities, this concept will be explained in more detail. This also gives a general idea on how the concept of a Fairtrade community, referring to the above mentioned types of communities, should work.

A Fairtrade Town is by definition:

“[...] any community in which people and organisations use their everyday choices to increase sales of Fairtrade products and bring about positive change for farmers and workers in developing countries. [...] Becoming a Fairtrade Town is a shared achievement and an opportunity for local government, schools, businesses, community organisations and activists to work together. Through doing so, each individual action adds up to make even more of a difference to farmers in developing countries.” (The Fairtrade Foundation et. al., n.d.(a))

A Fairtrade Town can be initiated by a group of individuals like activists or local companies or by the administration of a community. The first step is to meet “The Five Goals”:

- The local council has to pass a resolution seeking the title “Fairtrade Town”. Consequently, it will support any activity that promotes Fair Trade and consents to use Fair Trade products during meetings, in offices or canteens.
- Consumers have access to a range of Fair Trade products in local shops, cafés and restaurants. The target of the amount of offered products can vary among the different participating countries.

- Public institutions, like schools, churches, workplaces or other community organizations, try to use and provide Fair Trade products whenever possible.
- Local media has to comment on all activities relating to Fair Trade to increase the awareness within the community.
- A local steering group has to be formed to control, coordinate and develop the steps towards a Fairtrade Town.

The first community to become a Fairtrade Town was Garstang in Lancashire, England, in 2000. Since then, over 1,000 towns in more than 20 countries have achieved to acquire the title “Fairtrade Town” (The Fairtrade Foundation et. al., n.d.(b)). The initial approach of Fairtrade Towns was originated in the United Kingdom, which has the highest number of Fairtrade Towns, namely 572. Germany follows with 232 towns and Austria comes fourth with 117 communities after Belgium (163 towns) in 2013. The Netherlands and France have 41 and 36 participating Fairtrade Towns, respectively (The Fairtrade Foundation et. al., n.d.(c)). Switzerland has no Fairtrade Town so far, but it has launched an official website and with Zurich, Lugano, Grindelwald, Fribourg and Saanen, the first communities have registered to become the first Swiss “Fairtrade Town” in 2014 (Swiss Fair Trade, 2014).

Such campaigns can contribute to build trust and increase the awareness for Fair Trade. In 2011, **FLO International** and the international opinion research institute **GlobeScan** conducted an online survey on trust and recognition of Fair Trade among 17,000 consumers in 24 countries. It showed that the **FAIRTRADE certification mark** is the most widely established ethical label worldwide.

Trust and Recognition of Fair Trade		
	Recognition of FAIRTRADE Certification Mark (in %)	Level of Trust in Fair Trade (in %)
Germany	69	72
United Kingdom	96	90
Switzerland	90	87
Netherlands	86	85
Austria	86	81
France	58	61
24-country average	57	64
¹ Consumers have seen the mark “often” or “occasionally”. ² Trust is indicated as 3 or 4 on a scale from 1 to 4, where 1 is “No trust at all” and 4 is “A lot of trust”.		

Table 17: Trust and Recognition of Fair Trade in 2011

Source: Adapted from FLO International and GlobeScan Incorporated, 2011

The 24-country average exhibits that 64% of all interviewed consumers trust Fairtrade and that 57% recognize the FAIRTRADE certification mark (see Table 17). Recognition is, in this case, defined by a relatively high frequency (“often” or “occasionally”), with which consumers have seen the certification mark in everyday life. Furthermore, the survey revealed that nine out of ten consumers, who have seen the label, also regard it as a trusted label.¹⁸ The highest level of recognition is given in the United Kingdom: 90% of consumers know and trust the FAIRTRADE certification mark and 96% regularly take notice of the mark. Austria, the Netherlands and Switzerland follow with 81% to 87% of trust. Germany and France are countries with less recognition of Fair Trade. In Germany, 69% of consumers have seen the mark on an occasional or frequent basis and 72% of all surveyed consumers trust in Fair Trade. In France, the numbers are 58% and 61%, respectively. Of all the 24 surveyed countries, Italy shows the lowest trust for Fair Trade with only 21% (FLO International and GlobeScan Inc, 2011).

¹⁸ Trust is indicated as 3 or 4 on a scale from 1 to 4, where 1 is “No trust at all” and 4 is “A lot of trust”.

6 Conclusion

This paper reveals the noteworthy development of Fair Trade in six European countries: Austria, France, Germany, the Netherlands, Switzerland and the United Kingdom. One reason for this development may be the availability of Fair Trade products to a larger consumer base by including the common food retail industry in the sales channels for FAIRTRADE certified products. The analysis of the market structure of retailing in the respective countries reveals that the food retail business is increasingly concentrated and in many cases dominated by the three to five largest retailers of the respective national market, giving them a remarkable bargaining power, especially over their suppliers. Fair Trade products have been introduced to the product assortment of many but not all major food retailing companies. Many of the main actors in the food retail industry in the six European countries actively participate in Fair Trade and are licensees of the corresponding national labeling initiatives, which allow them to use the FAIRTRADE certification mark on selected products.

The Fair Trade system can be split between the product-certification route, operated by FLO International, and the integrated supply route, run by the WFTO. Both organizations have developed a label and employ certification. They are also umbrella organizations uniting various institutions linked to Fair Trade. Yet, the type of label, the way of certification and the size of the organizations differ. FLO International issues the FAIRTRADE certification mark – a product label that does not state anything about the practices of the company selling products carrying this label. The WFTO, on the other hand, awards organizations with the WFTO product label – an organizational label stating that Fair Trade is at the core of the activities of organizations selling products with this label. It is further interesting to see that the income of FLO International was about 27 times higher in 2012 than that of the WFTO. This is partly due to varying accounting systems, but also to the differing levels of membership fees. Even though the WFTO has about 15 times more members than FLO International, the membership fees at FLO International are higher, as they are calculated as a percentage of license fee income of the national labeling initiatives. The license fees are obtained by companies selling products carrying the FAIRTRADE certification mark, mainly via the conventional wholesale and retail trade. FLO International further introduced its label about 10 years earlier than the WFTO and major retailers are indirectly connected to FLO International as licensees, but not to the WFTO as trading members. It thus seems that offering products via the conventional wholesale and retail trade and the introduction of a label, giving consumers information about a Fair Trade product, have contributed in a positive way to the success of Fair Trade.

The retail sales of Fair Trade products in the analyzed countries more than doubled from 2008 to 2012. Especially the Netherlands, Germany and the United Kingdom realized growth rates of more than 20%. The sales in the United Kingdom are in so far remarkable as the starting

level of sales in 2008 was already very high. The possible further development of Fair Trade retail sales could be estimated by multiplying the highest per capita consumption of Switzerland (nearly €40 per person and year, not considering the different purchasing power) with the population of the six countries (more than 250 million persons). It would lead to a sales volume of €10 billion per year. Nevertheless, this figure would still be very low in comparison to the total consumption expenditures in the considered countries. The five most important Fair Trade food products are coffee, tea, fruit juice, bananas and sugar (products). In the United Kingdom, they represent more than two-thirds of total Fair Trade retail sales. Within these products, tea and fruit juice play a minor role, whereas coffee and bananas show high and increasing sales shares. Sales of sugar increased enormously in the United Kingdom and the Netherlands. One reason is the introduction of sugar products (e.g. chocolate) by the market leaders of the food retail industry. But it should be mentioned that the figures for sugar products can be misleading. A sugar product can be sold as Fair Trade when it partly contains fairly traded ingredients. Insofar, the figures for the six countries are not completely comparable.

The last chapter deals with different aspects and activities related to the national Fair Trade organizations. Sources of income for the national labeling initiatives are, besides grants and donations, license fees. Generally speaking, a distinction can be made between two different procedures for charging license fees. In Germany, Austria, France and the Netherlands they are mostly calculated in volume terms and in the United Kingdom and Switzerland they are value-based. The highest license fees apply to tea, chocolate and coffee and the lowest to sugar, fresh tropical fruit and juice. One of the major tasks of the national labeling initiatives, besides issuing licenses, is the awareness rising for Fair Trade in their countries via organizing national and international campaigns. Germany is, besides the United Kingdom, one of the countries with the most national and international Fair Trade promotions. The establishment of Fair Trade towns is another way of raising the awareness for Fair Trade in a country. With the help of campaigns the level of trust for and recognition of Fair Trade should be raised. In 2011, a corresponding online survey, conducted by FLO International and GlobeScan, asked around 17,000 consumers in 24 countries about their perception of Fair Trade. The study revealed that the level of trust and recognition in the six considered European countries seems to be very high. Even the relatively low level in France was above the average of the 24 countries. Yet, comparing the shares of Fair Trade in the retail industry (e.g. 1.53% in the UK in 2011) with the level of trust (e.g. 90% in the UK in 2011), the attitude consumers have towards Fair Trade is not reflected in the actual buying behavior.

This paper tried to explain the remarkable growth of Fair Trade sales in European countries. The entry of Fair Trade products in the conventional wholesale and retail trade during the last

decade seems to be one of the main reasons for this development. Market leaders like Rewe, Edeka, Tesco and Coop Schweiz started to sell Fair Trade products under their private label. Nevertheless, Fair Trade retail sales increased with different intensities in the six considered countries. Enormous growth rates were realized in the United Kingdom and Switzerland, whereas Fair Trade in France faced a moderate positive development. The analyzed data of the food retail industry and of the Fair Trade labeling organizations gave no explicit explanations for these differences. For example, it was found that the structure of the food retail market seems to have little influence on the success of Fair Trade. In the United Kingdom the highest sales volume is generated via hypermarkets. Furthermore, Tesco achieved the highest turnover in 2012 compared to other retailers of the UK, but it has a comparably lower amount of stores (see Chapter 2). Fair Trade retail sales in the UK were the highest in 2012 in the six European countries compared in this paper. The food retail industry in France shows a similar structure to the one in the UK, but Fair Trade retail sales in France were even lower than in Germany in 2012 (see Chapter 4). Therefore, the structure of the respective food retail industries seems to have no impact on the retail sales of Fair Trade. Based on the findings of this paper, it is advisable to consider major retailers and their engagement in Fair Trade in order to evaluate the past and future development of Fair Trade within Europe.

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