

Perspective of Fairtrade bodies on equitable trading and the world coffee economy

Round table on Equitable Trading and Coffee

ICO London 18 May 2004

Phil King
Finance Director, Cafédirect plc



A new concept?

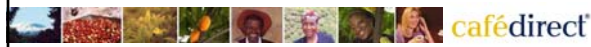
Proper economic prices should be fixed not at the lowest possible level, but at the level sufficient to provide producers with proper nutritional and other standards in the conditions in which they live... and it is in the interests of all producers alike that the price of a commodity should not be depressed below this level, and consumers are not entitled to expect that it should.

John Maynard Keynes, 1946



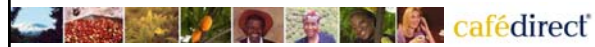
Cafédirect's aim

to do business in a different way



Cafédirect's Mission:

*"To be the leading **brand** which strengthens the influence, income and security of producer partners in the south and links them directly to the consumer"*



Branding/awareness



Innovative campaigns



Cafédirect's Vision:

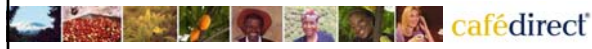
*"To capture the **tastes, hearts and minds** of mainstream hot drinks consumers"*



every pack tells a story



does
good business make business sense?



Business rationale

- transfer risk from producer
- create investment climate
- Cafédirect Gold Standard approach
 - directness
 - Fairtrade premiums plus
 - Producer support & development

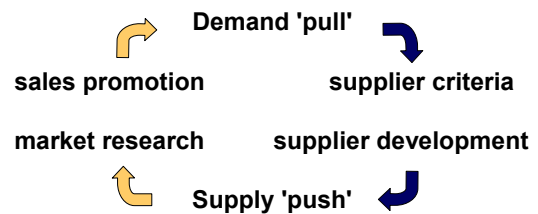


Cafédirect allocation of risk

- minimise growers risk
 - guaranteed minimum prices, paid locally in US\$
 - 12-month forecasts, guaranteed 75% take-up
 - up to 60% pre-finance available
 - producer protection fund
 - de-fragment to improve negotiation
- spread Cafédirect risk
 - 'virtual company' structure
 - minimal (<10%) fixed cost base
 - innovative / targeted marketing

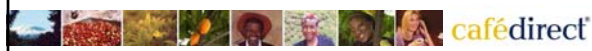


Balancing supply chain



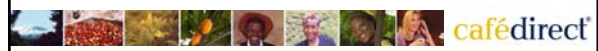
Create investment climate

- more confidence in future
- availability of:
 - funds
 - market knowledge
 - expertise



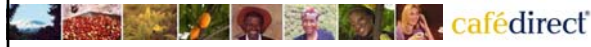
Cafédirect Gold Standard Directness

- 2-way communication
- mutual understanding
 - producer needs, aspirations, resources
 - consumer / market trends / prices
- identifying
 - market/consumer requirements
 - product quality/quantity/consistency



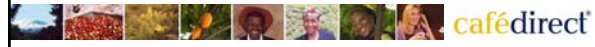
Cafédirect Gold Standard Directness

- bi-annual producer conference
 - strategy, sharing ideas
- trade links
 - credibility



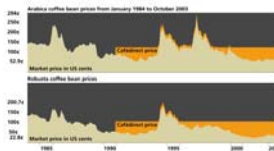
Cafédirect Gold Standard Directness

- producers visits to UK
 - Board observers / directors
 - consumer/trade promotions
 - presentations to roasters
- staff visits to producers



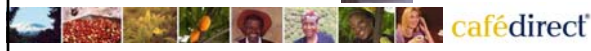
Cafédirect Gold Standard Fairtrade premium +

- higher of 'market + 10%' or FLO minimum
 - up to \$1.61 for gourmet / organic



Fairtrade premium +
– 'the pick of the crop'

Jose Alaya truck, Peru



Cafédirect Gold Standard Producer support & development

- business support programmes
 - tailored to each organisation
 - marketing (Compras, Mexico)
 - local market development
 - husbandry
 - crop diversification
 - education



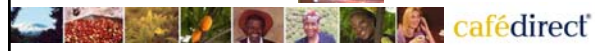
Quality development scheme Recocarno, Haiti



Amen Mtui from KNCU, Tanzania, 'cupping' coffee

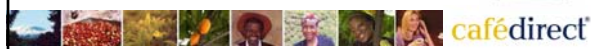


Quillabamba Nursery COCLA, Peru



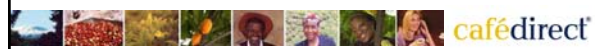
Cafédirect Gold Standard Long-term relationships

- ongoing purchases
 - quality monitoring
- credibility
 - eg Haudquiña/el Niño
- share ownership



Cafédirect Gold Standard

- equitable trading relationships
 - sharing risk
 - sharing knowledge
 - informed choices, empowerment
- quality of life





How much?

£'million	Year to 30.9.03	Year to 30.9.02	18 m to 30.9.01
Sales	13.6	10.5	12.1
Premiums	2.8	2.1	1.9
Pre-tax profit	0.5	0.4	0.5
PS&D	0.4	0.3	0.4

Market Share %

	Value share at March 2004	Target value Sept 2004	Target value 2007
Roast & Ground	8.3	8.5	11.6
Freeze Dried	3.7	3.7	4.8

4th largest UK Roast & Ground brand
6th largest UK coffee brand

Source: IRI analysis March 2004

"We don't want the consumer to try our products because we are poor, because we have problems. The image we want to present to you is that we offer a high quality product and we are a sustainable organisation. When we offer a high quality product, we know that you will buy again, and knowing that is very important to us"

*Blanca Rosa Molina,
President, CECOAFEN,
Nicaragua*

good business makes business sense

CAFÉDIRECT SHARE ISSUE

The future in your hands