

Trade

We bring direct benefits to producer communities.



Direct sales

Traidcraft plc's direct sales were flat year on year at 16.4 million, reflecting in part the unrepeatable one-off benefits from the Make Poverty History campaign in the previous year, and in part the consequences of increased competition from mainstream companies.

However, licensed product sales (mainly Geobars and Fair Break wafer biscuits) have grown strongly from £2.6m to £ 3.2m, a 21% growth.

Total sales (direct and licensed) have therefore grown by 3% to £19.6 million. Sales of fair trade goods grew by 5.5%. Fair trade food including licensed sales grew by 5.8% while fair trade crafts and paper grew by 3.9%.

A 18% fall in sales of non fair trade products, such as Christmas cards, recycled paper and promotional items, is attributable in part to the positive impact of Make Poverty History campaign wristbands in the previous year, and in part to a disappointing response to our 2006 card range and some unreliability in the supply and quality of recycled tissue products. Further, unanticipated demand for some craft and jewellery items led to some lines running out of stock earlier than planned which led to lost sales.

Owing to these flat sales, pressure on margins and increased costs resulting from investments in our brand and additional staff to support new initiatives and future growth, Traidcraft plc recorded a small loss. We therefore failed to achieve our long term return on capital target of 6.5%.

We believe nevertheless that Traidcraft plc has a sustainable and viable model of trading in an ethical and fair trade manner, and expect growth and profitability to be restored.

Handmade Paper Cards with Marks & Spencer Plc

The top 40 M&S stores launched a range of fair trade handmade paper cards from Traidcraft suppliers and which also carry the Traidcraft brand. This initiative is part of the M&S Plan A, a business wide 'eco-plan' covering waste, a move to being carbon neutral, ethical trading, sustainable sourcing and health.

Whilst certified Fairtrade products are a key strand of the so called "fair partner" component of this plan, M&S also recognise that it is not possible to use the Fairtrade Mark on a high proportion of their product categories and this initiative with Traidcraft gives an opportunity to bring more fair trade products to their stores.

Purchases from developing world producers

Total purchases from developing world producers have dropped by 15% (18% allowing for inflation) to £3.2m.

In 2006 there were significant purchases of T-shirts, coffee, sugar, rice and cashew nuts. With less strong sales than we had budgeted over the past year we were unable to use up this stock at a rate which required a reorder of these goods during 2007 leading to a lower developing world purchase total.

Owing to the variable nature of purchases of bulk food stocks a three year rolling average is a better measure than to focus on one particular year. Encouragingly the three year rolling average is still growing, especially if viewed in US dollar terms (which is the currency in which most of our purchases are made).

[See more detailed information.](#)

Fair trade ingredients

In addition to the producer ingredient purchases that go through our books, we estimate that in 2006-2007 we generated a further £305,000 of purchases for producers where a manufacturer buys fair trade ingredients from another source, to put into Traidcraft branded products. (In 2005-2006 this figure was £300,000).

Cost of Sales spent in the developing world

35% of all our Cost of Sales (assessed over a three year period) was spent in the developing world – meeting our target.

In terms of price to the Traidcraft customer this means that on average about 20% of the price paid is going back to producer countries (this is a drop from the 2006 percentage of 21%).

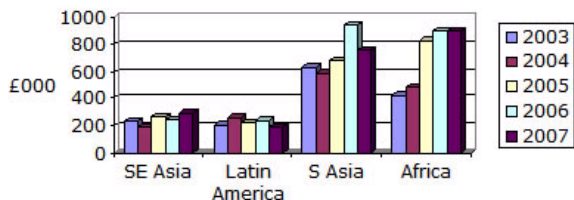
[See more detailed information.](#)

Buying from the developing world

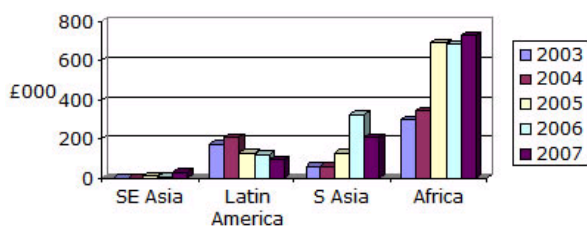
- 88% of our sales have at least a proportion of developing world content – this has hit our target and is as high as it has ever been.
- We bought directly from 53 different producer groups (39 craft and 14 food/beverage). (In 2005-2006: 54 producer groups: 41 craft and 13 food/beverage).
- We also buy indirectly from other groups through allied fair trade organisations like Cafédirect, Divine and our EFTA partners.

The graphs below shows direct Traidcraft purchases in summary by region over the last four years.

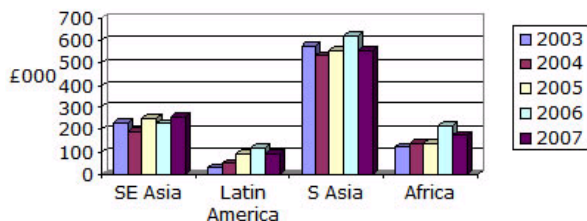
Combined spend with Non-Food and Core Food Producers - Last 4 years



Spend with Core Food Producers - Last 4 years



Spend with Non-Food Producers - Last 4 years



Non-food purchases comprise most of the spend in South Asia, whereas foods/beverages dominate African purchases.

We are pleased to have sustained the overall value of purchases from Africa, despite the overall decline in purchase levels, since we have a particular strategic focus on seeking to support trade with that continent.

- South Asia encompasses Sri Lanka, India, Pakistan, Bangladesh and Nepal.
- South East Asia encompasses the Philippines, Indonesia, Thailand and Vietnam.

[See more detailed information.](#)

[See how we work with our suppliers.](#)

Turnaround times and availability

Turnaround times for orders have been very strong throughout the year (i.e. 99.9% of Fair Trader orders within 48 hours and 99.9% of mail order customer orders within 72 hours).

Food stock availability has averaged 98%. Disappointingly our non-food availability (predominantly craft lines) was poor during the latter part of the Autumn with a significant number of craft lines selling out before the end of the Autumn season.

This was a result of higher than expected uptake in some lines and a lack of co-ordination between forecasting volumes during order placing and the catalogue distribution plans that were subsequently put in place for our mail order business. Measures have been put in place to address this weakness for the Autumn 2007 season.

[See more detailed information.](#)

Customer feedback

We have continued to monitor complaints levels about Traidcraft orders from customers. Disappointingly the percentage of orders leading to complaints has increased this year. This is mainly due to an increasing number of complaints relating to the parcel carrier. We recognise that this is an area for improvement.

We believe that many of our customers share our view on the importance of environmental concerns, and we have sought to address these through our

[new policy and commitments in this area.](#)

[See more detailed information.](#)

Traidcraft Exchange Partners and Clients

The impact study on our trading with Bangladeshi women craft producers continues to produce fascinating evidence on the positive but also complex and context specific effects that fair trade can have on the lives of the producers.. This study will end during 2007.

We have started, in collaboration with Newcastle University, a similar PhD study on the effect of Traidcraft's plc's trading with our sugar suppliers in Malawi, the Kasinthula Cane Growers Association.

We believe that our development work with organic cotton farmers in India (dating from 2001/2) has been instrumental in enabling our partner, Agrocel, to sell organic Fairtrade cotton in Indian and international markets.

This cotton is increasingly bought by high-street retailers in the UK. We are using the experience and models gained from this project to influence trading relationships in other sectors in which we are involved, and enable more producers to engage with mainstream markets.

[See more detailed information.](#)