

CLIENT'S COPY

**Application for Recognition of Exemption  
Under Section 501(c)(3) of the Internal Revenue Code**

OMB No. 1545-0056

If exempt status is approved, this application will be open for public inspection.

Read the instructions for each Part carefully.

**A User Fee must be attached to this application.**

If the required information and appropriate documents are not submitted along with Form 8718 (with payment of the appropriate user fee), the application may be returned to you.

**Complete the Procedural Checklist on page 7 of the instructions.**

**Part I Identification of Applicant**

1a Full name of organization (as shown in organizing document) <b>Transfair USA</b>		2 Employer identification number (EIN) (If none, see page 2 of the instructions.) <b>41-1848081</b>	
1b c/o Name (if applicable) <b>Eve Borenstein</b>		3 Name and telephone number of person to be contacted if additional information is needed <b>EVE R. BORENSTEIN (612) 822-2677</b>	
1c Address (number and street) <b>3957 Drew Avenue South</b>		Room/Suite	
1d City or town, state, and ZIP code <b>Minneapolis MN 55410-1049</b>		4 Month the annual accounting period ends <b>December</b>	
5 Date incorporated or formed <b>4/19/96</b>	6 Activity codes (See page 3 of the instructions.) <b>149   429</b>	7 Check here if applying under section: a <input type="checkbox"/> 501(e) b <input type="checkbox"/> 501(f) c <input type="checkbox"/> 501(k)	
8 Did the organization previously apply for recognition of exemption under this Code section or under any other section of the Code? If "Yes," attach an explanation. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
9 Is the organization required to file Form 990 (or Form 990-EZ)? If "No," attach an explanation (see page 3 of the Specific Instructions). <input type="checkbox"/> N/A <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
10 Has the organization filed Federal income tax returns or exempt organization information returns? If "Yes," state the form numbers, years filed, and Internal Revenue office where filed. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			

11 Check the box for the type of organization. ATTACH A CONFORMED COPY OF THE CORRESPONDING ORGANIZING DOCUMENTS TO THE APPLICATION BEFORE MAILING. (See **Specific Instructions for Part I, Line 11**, on page 3.) Get **Pub. 557, Tax-Exempt Status for Your Organization**, for examples of organizational documents.)

- a  Corporation—Attach a copy of the Articles of Incorporation (including amendments and restatements) showing approval by the appropriate state official; also include a copy of the bylaws. } ENCLOSED AS ATTACHMENT A
- b  Trust— Attach a copy of the Trust Indenture or Agreement, including all appropriate signatures and dates.
- c  Association— Attach a copy of the Articles of Association, Constitution, or other creating document, with a declaration (see instructions) or other evidence the organization was formed by adoption of the document by more than one person; also include a copy of the bylaws.

If the organization is a corporation or an unincorporated association that has not yet adopted bylaws, check here

I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and that I have examined this application, including the accompanying schedules and attachments, and to the best of my knowledge it is true, correct, and complete.

Please Sign Here

..... (Signature) ..... (Title or authority of signer) ..... (Date)

**Part II** Activities and Operational Information

- 1 Provide a detailed narrative description of all the activities of the organization—past, present, and planned. Do not merely refer to or repeat the language in the organizational document. List each activity separately in the order of importance based on the relative time and other resources devoted to the activity. Indicate the percentage of time for each activity. Each description should include, as a minimum, the following: (a) a detailed description of the activity including its purpose and how each activity furthers your exempt purpose; (b) when the activity was or will be initiated; and (c) where and by whom the activity will be conducted.

See Attachment B

- 2 What are or will be the organization's sources of financial support? List in order of size.

Grants

- 3 Describe the organization's fundraising program, both actual and planned, and explain to what extent it has been put into effect. Include details of fundraising activities such as selective mailings, formation of fundraising committees, use of volunteers or professional-fundraisers, etc. Attach representative copies of solicitations for financial support.

Board (and staff, once hired) will coordinate grantwriting with Advisory Committee. Major foundation support is currently being sought (see proposal template, attached as Attachment C).

**Part II** Activities and Operational Information (Continued)

4 Give the following information about the organization's governing body:

a Names, addresses, and titles of officers, directors, trustees, etc.

see Attachment D

b Annual compensation

No directors or officers receive any compensation for efforts provided to/on behalf of applicant

c Do any of the above persons serve as members of the governing body by reason of being public officials or being appointed by public officials? . . . . .

Yes  No

If "Yes," name those persons and explain the basis of their selection or appointment.

d Are any members of the organization's governing body "disqualified persons" with respect to the organization (other than by reason of being a member of the governing body) or do any of the members have either a business or family relationship with "disqualified persons"? (See **Specific Instructions** for Part II, Line 4d, on page 3.) . . . . .

Yes  No

If "Yes," explain.

5 Does the organization control or is it controlled by any other organization? . . . . .

Yes  No

Is the organization the outgrowth of (or successor to) another organization, or does it have a special relationship with another organization by reason of interlocking directorates or other factors? . . . . .

Yes  No

If either of these questions is answered "Yes," explain.

6 Does or will the organization directly or indirectly engage in any of the following transactions with any political organization or other exempt organization (other than a 501(c)(3) organization): (a) grants; (b) purchases or sales of assets; (c) rental of facilities or equipment; (d) loans or loan guarantees; (e) reimbursement arrangements; (f) performance of services, membership, or fundraising solicitations; or (g) sharing of facilities, equipment, mailing lists or other assets, or paid employees? . . . . .

Yes  No

If "Yes," explain fully and identify the other organizations involved.

7 Is the organization financially accountable to any other organization? . . . . .

Yes  No

If "Yes," explain and identify the other organization. Include details concerning accountability or attach copies of reports if any have been submitted.

**Part II** Activities and Operational Information (Continued)

8 What assets does the organization have that are used in the performance of its exempt function? (Do not include property producing investment income.) If any assets are not fully operational, explain their status, what additional steps remain to be completed, and when such final steps will be taken. If "None," indicate "N/A."

N/A

9 Will the organization be the beneficiary of tax-exempt bond financing within the next 2 years? . . . .  Yes  No

10a Will any of the organization's facilities or operations be managed by another organization or individual under a contractual agreement? . . . . .  Yes  No

b Is the organization a party to any leases? . . . . .  Yes  No  
If either of these questions is answered "Yes," attach a copy of the contracts and explain the relationship between the applicant and the other parties.

11 Is the organization a membership organization? . . . . .  Yes  No  
If "Yes," complete the following:

a Describe the organization's membership requirements and attach a schedule of membership fees and dues.

b Describe the organization's present and proposed efforts to attract members and attach a copy of any descriptive literature or promotional material used for this purpose.

c What benefits do (or will) the members receive in exchange for their payment of dues?

12a If the organization provides benefits, services, or products, are the recipients required, or will they be required, to pay for them? . . . . .  N/A  Yes  No  
If "Yes," explain how the charges are determined and attach a copy of the current fee schedule.

b Does or will the organization limit its benefits, services, or products to specific individuals or classes of individuals? . . . . .  N/A  Yes  No  
If "Yes," explain how the recipients or beneficiaries are or will be selected.

13 Does or will the organization attempt to influence legislation? . . . . .  Yes  No  
If "Yes," explain. Also, give an estimate of the percentage of the organization's time and funds that it devotes or plans to devote to this activity.

14 Does or will the organization intervene in any way in political campaigns, including the publication or distribution of statements? . . . . .  Yes  No  
If "Yes," explain fully.

**Part III** Technical Requirements

1 Are you filing Form 1023 within 15 months from the end of the month in which your organization was created or formed?  Yes  No  
If you answer "Yes," do not answer questions on lines 2 through 7 below.

2 If one of the exceptions to the 15-month filing requirement shown below applies, check the appropriate box and proceed to question 8.

**Exceptions**—You are not required to file an exemption application within 15 months if the organization:

- a Is a church, interchurch organization of local units of a church, a convention or association of churches, or an integrated auxiliary of a church. See Specific Instructions, Line 2a, on page 4;
- b Is not a private foundation and normally has gross receipts of not more than \$5,000 in each tax year; or
- c Is a subordinate organization covered by a group exemption letter, but only if the parent or supervisory organization timely submitted a notice covering the subordinate.

3 If the organization does not meet any of the exceptions on line 2 above, are you filing Form 1023 within 27 months from the end of the month in which the organization was created or formed?  Yes  No

If "Yes," your organization qualifies under section 4.01 of Rev. Proc. 92-85, 1992-2 C.B. 490, for an automatic 12-month extension of the 15-month filing requirement. Do not answer questions 4 through 7.

If "No," answer question 4.

4 If you answer "No" to question 3, has the organization been contacted by the IRS regarding its failure to file Form 1023 within 27 months from the end of the month in which the organization was created or formed?  Yes  No

If "No," your organization is requesting an extension of time to apply under the "reasonable action and good faith" requirements of section 5.01 of Rev. Proc. 92-85. Do not answer questions 5 through 7.

If "Yes," answer question 5.

5 If you answer "Yes" to question 4, does the organization wish to request relief from the 15-month filing requirement?  Yes  No

If "Yes," give the reasons for not filing this application prior to being contacted by the IRS. See Specific Instructions, Line 5, on page 4 before completing this item. Do not answer questions 6 and 7.

If "No," answer question 6.

6 If you answer "No" to question 5, your organization's qualification as a section 501(c)(3) organization can be recognized only from the date this application is filed with your key District Director. Therefore, do you want us to consider the application as a request for recognition of exemption as a section 501(c)(3) organization from the date the application is received and not retroactively to the date the organization was created or formed?  Yes  No

7 If you answer "Yes" to question 6 above and wish to request recognition of section 501(c)(4) status for the period beginning with the date the organization was formed and ending with the date the Form 1023 application was received (the effective date of the organization's section 501(c)(3) status), check here  and attach a completed page 1 of Form 1024 to this application.

N/A

**Part III** Technical Requirements (Continued)

- 8 Is the organization a private foundation?  
 Yes (Answer question 9.)  
 No (Answer question 10 and proceed as instructed.)

- 9 If you answer "Yes" to question 8, does the organization claim to be a private operating foundation?  
 Yes (Complete Schedule E.)  
 No

After answering question 9 on this line, go to line 15 on page 7.

- 10 If you answer "No" to question 8, indicate the public charity classification the organization is requesting by checking the box below that most appropriately applies:

**THE ORGANIZATION IS NOT A PRIVATE FOUNDATION BECAUSE IT QUALIFIES:**

- |   |  |  |
|---|--|--|
| a | <input type="checkbox"/> As a church or a convention or association of churches (CHURCHES MUST COMPLETE SCHEDULE A.)   | Sections 509(a)(1) and 170(b)(1)(A)(i)                       |
| b | <input type="checkbox"/> As a school (MUST COMPLETE SCHEDULE B.)   | Sections 509(a)(1) and 170(b)(1)(A)(ii)                      |
| c | <input type="checkbox"/> As a hospital or a cooperative hospital service organization, or a medical research organization operated in conjunction with a hospital (MUST COMPLETE SCHEDULE C.)  | Sections 509(a)(1) and 170(b)(1)(A)(iii)                     |
| d | <input type="checkbox"/> As a governmental unit described in section 170(c)(1).  | Sections 509(a)(1) and 170(b)(1)(A)(v)                       |
| e | <input type="checkbox"/> As being operated solely for the benefit of, or in connection with, one or more of the organizations described in a through d, g, h, or i (MUST COMPLETE SCHEDULE D.)   | Section 509(a)(3)  |
| f | <input type="checkbox"/> As being organized and operated exclusively for testing for public safety.  | Section 509(a)(4)  |
| g | <input type="checkbox"/> As being operated for the benefit of a college or university that is owned or operated by a governmental unit.  | Sections 509(a)(1) and 170(b)(1)(A)(iv)                      |
| h | <input checked="" type="checkbox"/> As receiving a substantial part of its support in the form of contributions from publicly supported organizations, from a governmental unit, or from the general public.   | Sections 509(a)(1) and 170(b)(1)(A)(vi)                      |
| i | <input type="checkbox"/> As normally receiving not more than one-third of its support from gross investment income and more than one-third of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions (subject to certain exceptions). | Section 509(a)(2)  |
| j | <input type="checkbox"/> The organization is a publicly supported organization but is not sure whether it meets the public support test of block h or block i. The organization would like the IRS to decide the proper classification.  | Sections 509(a)(1) and 170(b)(1)(A)(vi) or Section 509(a)(2) |

If you checked one of the boxes a through f in question 10, go to question 15. If you checked box g in question 10, go to questions 12 and 13. If you checked box h, i, or j, in question 10, go to question 11.

**Part III** Technical Requirements (Continued)

- 11 If you checked box h, i, or j in question 10, has the organization completed a tax year of at least 8 months?  
 Yes—Indicate whether you are requesting:  
 A definitive ruling (Answer questions 12 through 15.)  
 An advance ruling (Answer questions 12 and 15 and attach two Forms 872-C completed and signed.)  
 No—You must request an advance ruling by completing and signing two Forms 872-C and attaching them to the application.
- 12 If the organization received any unusual grants during any of the tax years shown in Part IV-A, attach a list for each year showing the name of the contributor; the date and the amount of the grant; and a brief description of the nature of the grant.

N/A

- 13 If you are requesting a definitive ruling under section 170(b)(1)(A)(iv) or (vi), check here  and:  
 a Enter 2% of line 8, column (e), Total, of Part IV-A.  
 b Attach a list showing the name and amount contributed by each person (other than a governmental unit or "publicly supported" organization) whose total gifts, grants, contributions, etc., were more than the amount entered on line 13a above.
- 14 If you are requesting a definitive ruling under section 509(a)(2), check here  and:  
 a For each of the years included on lines 1, 2, and 9 of Part IV-A, attach a list showing the name of and amount received from each "disqualified person." (For a definition of "disqualified person," see **Specific Instructions**, Part II, Line 4d, on page 3.)  
 b For each of the years included on line 9 of Part IV-A, attach a list showing the name of and amount received from each payer (other than a "disqualified person") whose payments to the organization were more than \$5,000. For this purpose, "payer" includes, but is not limited to, any organization described in sections 170(b)(1)(A)(i) through (vi) and any governmental agency or bureau.

15 Indicate if your organization is one of the following. If so, complete the required schedule. (Submit only those schedules that apply to your organization. <b>Do not submit blank schedules.</b> )	Yes	No	If "Yes," complete Schedule:
Is the organization a church? . . . . .		✓	A
Is the organization, or any part of it, a school? . . . . .		✓	B
Is the organization, or any part of it, a hospital or medical research organization? . . . . .		✓	C
Is the organization a section 509(a)(3) supporting organization? . . . . .		✓	D
Is the organization a private operating foundation? . . . . .		✓	E
Is the organization, or any part of it, a home for the aged or handicapped? . . . . .		✓	F
Is the organization, or any part of it, a child care organization? . . . . .		✓	G
Does the organization provide or administer any scholarship benefits, student aid, etc.? . . . . .		✓	H
Has the organization taken over, or will it take over, the facilities of a "for profit" institution? . . . . .		✓	I

**Part IV Financial Data**

Complete the financial statements for the current year and for each of the 3 years immediately before it. If in existence less than 4 years, complete the statements for each year in existence. If in existence less than 1 year, also provide proposed budgets for the 2 years following the current year.

**A. Statement of Revenue and Expenses**

	Current tax year	3 prior tax years or proposed budget for 2 years			(e) TOTAL	
		(a) From <u>4/19/96</u> to <u>12/31/96</u>	(b) 19 <u>97</u>	(c) 19 <u>98</u>		(d) 19.....
Revenue	1 Gifts, grants, and contributions received (not including unusual grants—see pages 5 and 6 of the instructions) . . . . .		135,000	135,000		270,000
	2 Membership fees received . . . . .					
	3 Gross investment income (see instructions for definition) . . . . .					
	4 Net income from organization's unrelated business activities not included on line 3 . . . . .					
	5 Tax revenues levied for and either paid to or spent on behalf of the organization . . . . .					
	6 Value of services or facilities furnished by a governmental unit to the organization without charge (not including the value of services or facilities generally furnished the public without charge) . . . . .					
	7 Other income (not including gain or loss from sale of capital assets) (attach schedule) . . . . .					
	8 <b>Total</b> (add lines 1 through 7)	Ø	135,000	135,000		270,000
	9 Gross receipts from admissions, sales of merchandise or services, or furnishing of facilities in any activity that is not an unrelated business within the meaning of section 513. Include related cost of sales on line 22. . . . .					
	10 <b>Total</b> (add lines 8 and 9)	Ø	135,000	135,000		270,000
	11 Gain or loss from sale of capital assets (attach schedule). . . . .					
	12 Unusual grants. . . . .					
	13 <b>Total revenue</b> (add lines 10 through 12) . . . . .	Ø	135,000	135,000		270,000
Expenses	14 Fundraising expenses . . . . .					
	15 Contributions, gifts, grants, and similar amounts paid (attach schedule) . . . . .					
	16 Disbursements to or for benefit of members (attach schedule) . . . . .					
	17 Compensation of officers, directors, and trustees (attach schedule) . . . . .					
	18 Other salaries and wages . . . . .		100,800	100,800		
	19 Interest . . . . .					
	20 Occupancy (rent, utilities, etc.) . . . . .		12,000	12,000		
	21 Depreciation and depletion <sup>TRAVEL -12,000</sup> . . . . .					
	22 Other (attach schedule) <sup>POSTAGE -5,000</sup> . . . . .		20,000	20,000		
	23 <b>Total expenses</b> (add lines 14 through 22) . . . . .	Ø	132,800	132,800		
	24 Excess of revenue over expenses (line 13 minus line 23)	Ø	2,200	2,200		



**Part IV** Financial Data (Continued)

**B. Balance Sheet (at the end of the period shown)**

Current tax year  
Date: Dec. 31, 1996

**Assets**

1	Cash . . . . .	1	Ø
2	Accounts receivable, net . . . . .	2	
3	Inventories . . . . .	3	
4	Bonds and notes receivable (attach schedule) . . . . .	4	
5	Corporate stocks (attach schedule) . . . . .	5	
6	Mortgage loans (attach schedule) . . . . .	6	
7	Other investments (attach schedule) . . . . .	7	
8	Depreciable and depletable assets (attach schedule) . . . . .	8	
9	Land . . . . .	9	
10	Other assets (attach schedule) . . . . .	10	
11	<b>Total assets</b> (add lines 1 through 10) . . . . .	11	Ø

**Liabilities**

12	Accounts payable . . . . .	12	
13	Contributions, gifts, grants, etc., payable . . . . .	13	
14	Mortgages and notes payable (attach schedule) . . . . .	14	
15	Other liabilities (attach schedule) . . . . .	15	
16	<b>Total liabilities</b> (add lines 12 through 15) . . . . .	16	Ø

**Fund Balances or Net Assets**

17	Total fund balances or net assets . . . . .	17	
18	<b>Total liabilities and fund balances or net assets</b> (add line 16 and line 17) . . . . .	18	Ø

If there has been any substantial change in any aspect of the organization's financial activities since the end of the period shown above, check the box and attach a detailed explanation . . . . .

ATTACHMENT "A"

Articles of Incorporation

IN-860

## ARTICLES OF INCORPORATION

5718

OF

TRANSFAIR U.S.A.

The undersigned incorporator, a natural person 18 years of age or older, in order to form a corporate entity under Minnesota Statutes, Chapter 317A, adopts the following articles of incorporation.

**ARTICLE I**  
**NAME/REGISTERED OFFICE**

The name of this corporation shall be: Transfair U.S.A. The corporation's registered office is located at: Law Offices of Eve Rose Borenstein, 3957 Drew Avenue South, Minneapolis, MN, 55410.

**ARTICLE II**  
**PURPOSE**

This corporation is organized exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as now enacted or hereafter amended, including, for such purposes, the making of distributions to organizations that also qualify as Section 501(c)(3) exempt organizations. To this end, the corporation shall promote the acceptance and development of "fair trade" among U.S. citizens. All funds, whether income or principal, and whether acquired by gift or contribution or otherwise, shall be devoted to said purposes.

**ARTICLE III**  
**I.R.S. EXEMPTION REQUIREMENTS**

At all times the following shall operate as conditions restricting the operations and activities of the corporation:

1. No part of the net earnings of the corporation shall inure to any member of the corporation not qualifying as exempt under Section 501(c)(3) of the Internal Revenue Code of 1986, as now enacted or hereafter amended, nor to any Director or officer of the corporation, nor to any other private persons, excepting solely such reasonable compensation that the corporation shall pay for services actually rendered to the corporation, or allowed by the corporation as a reasonable allowance for authorized expenditures incurred on behalf of the corporation;

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2. No substantial part of the activities of the corporation shall constitute the carrying on of propaganda or otherwise attempting to influence legislation, or any initiative or referendum before the public, and the corporation shall not participate in, or intervene in (including by publication or distribution of statements), any political campaign on behalf of, or in opposition to, any candidate for public office;
3. Notwithstanding any other provision of these articles, the corporation shall not carry on any other activities not permitted to be carried on by a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as now enacted or hereafter amended.

#### **ARTICLE IV** **DIRECTORS/MEMBERS**

The corporation shall have no voting members. The corporation shall have a Board of Directors, who shall manage the affairs of the corporation as defined by statute, this Article, and the corporation's bylaws. No Director shall have any right, title, or interest in or to any property of the corporation devolve from their relationship to the corporation as a Director. Furthermore, the corporation shall not lend any of its assets to any officer or Director of this corporation, or guarantee to any person the payment of a loan by an officer or Director of this corporation.

#### **ARTICLE V** **DEBT OBLIGATIONS AND PERSONAL LIABILITY**

No officer or Director of this corporation shall be personally liable for the debts or obligations of this corporation of any nature whatsoever, nor shall any of the property of the officers or Directors be subject to the payment of the debts or obligations of this corporation.

#### **ARTICLE VI** **DISSOLUTION**


Upon the time of dissolution of the corporation, assets shall be distributed by the Board of Directors, after paying or making provisions for the payment of all debts, obligations, liabilities, costs and expenses of the corporation, for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for a public purpose. Any such assets not so disposed of shall be disposed of by a Court of Competent Jurisdiction of the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

**ARTICLE VII  
INCORPORATOR**

The incorporator of this corporation is:

Eve Rose Borenstein, J.D.  
3957 Drew Avenue South  
Minneapolis, MN 55410

The undersigned incorporator certifies both that she executes these Articles for the purposes herein stated, and that by such execution, she affirms the understanding that should any of the information in these Articles be intentionally or knowingly misstated, she is subject to the criminal penalties for perjury set forth in Minnesota Statutes 609.48 as if this document had been executed under oath.

  
\_\_\_\_\_  
signature

4/18/96  
date

**STATE OF MINNESOTA  
FILED - DUPLICATE COPY**

**APR 19 1996**

  
Secretary of State

Attachment "B"  
Statement of Activities

TransFair U.S.A.  
Part II, Q. 1 (Statement of Activities)

TransFair U.S.A. (hereinafter, "TransFair" or "applicant") was incorporated in April of 1996 to take-over and maintain the efforts initiated to-date under sponsorship of an existing §501(c)(3) organization, Institute of Agriculture and Trade Policy (IATP), in promoting consumer support in the United States of "fairly traded" commodities. This exemption application is made at a point in time (late November 1996) when TransFair has yet to engage in any independent transactions or activities (aside from organizational start-up activities) since the intended programmatic activities still are housed under the sponsorship of IATP. Award of the sought §501(c)(3) determination letter will enable applicant to initiate the full array of operations described in the following narrative.

The notion of "fairly traded" commodities represents an important methodology for curing the plight of small producers in developing countries. These producers, historically among the poorest of the world's poor, are victimized in their market economy simply due to the fact that the market tends to be controlled by both middlemen and landowners. As long as these producers are dependent on such middlemen and landowners, they fail to have any significant control over their production process, thereby being locked with their communities into a cycle of poverty and debt, along with the use of production methods which may be harmful to themselves and the environment, all in spite of the value of the product(s) they have to offer. Additionally, these producers are almost always struggling for a stable fair price for their products, as well as access to credit on reasonable terms.

To maximize the position of United States' consumers as players concerned about international trade's inequitable treatment of indigenous small producers, TransFair U.S.A. will work to support systems of trade that ensure control to workers in developing countries over their pay and working conditions. To this end, applicant will coordinate with other sustainable agriculture and environmental groups from around the world in supporting systems of trade whose institutions are open and publicly accountable, and based on the principles of justice, equality and sustainability.

TransFair U.S.A.'s program will specifically focus on the promotion of alternatives to the conventional trade system. The program's work will include the development of mechanisms to enforce a standard representing "fair trade" practices, grassroots organizing and national coordination of individuals and organizations in order to develop public awareness of and support for "fair trade" initiatives, and efforts to support the success of "fairly traded" commodity availability in the mainstream market system. There are four intended program components to be established in 1997 and 1998:

1) FAIR TRADE LABELING. "Fair trade" occurs already on a small scale, via various "alternative" trading efforts, primarily in crafts. Until now, however, distribution of "fairly

traded” goods has been quite limited. It is not yet possible to go to a regular supermarket or department store and buy products with the certainty that they have been traded fairly. With a “fair trade” label, consumers are able to look at a product in the supermarket and know: [1] that it was produced not by a transnational corporation, but by a cooperative, working on a human scale with care for the working conditions and well being of the producers' communities; and [2] that the cooperative received a fair share of the price of that product.

TransFair will promote use of an internationally recognized “fair trade” label. Same is an example of a strategy that works, both in bringing economic stability to sustainable producers in developing countries and beginning to change the consciousness of consumers in the Northern countries. The main focus of this program effort will be to introduce a specific “fair trade” labeling initiative, known as TransFair, into the United States. The TransFair label both allows consumers to identify products that have been “fairly traded” in accord with internationally established criteria, and brings fair trade into the mainstream. The label serves to create the economic incentives, the international structure, and the national networks needed to encourage and enable companies who are unfamiliar with “fair trade” to become part of a recognized “fair trade” system.

The internationally recognized label applicant will be promoting has been developed by, and is registered internationally, to a group unrelated to applicant -- TransFair International (hereinafter, “TFI”). TFI is an international association comprised of national committees of non-commercial entities, currently including the following national representatives: TransFair Austria (19 member associations), TransFair Italy (14 member associations), TransFair Germany (33 member associations), European Fair Trade Association -EFTA (11 Alternative Trading Organizations from 9 countries in Europe), TransFair Luxemburg (13 member associations), TransFair Japan (3 member associations), and TransFair Canada (9 member associations). Via dedication to the program efforts discussed in this section, TransFair U.S.A. intends to be the United States’ national component working with TransFair International.

The labeling that will be promoted by TransFair covers specific commodities for which appropriate standards are already in place on at an international level. Currently, such labelling is available for the following products: coffee, honey, cocoa, sugar, and tea. (The next commodity for which labeling is being standardized is bananas.) The labeling process works according to the following steps: producers’ cooperatives register for any or all of the available products, monitoring structures are placed into effect with the cooperatives via execution of the appropriate contracts, and labelling of the cooperatives’ products as they come to market readiness occurs.

2. CONSUMER AND END-POINT SELLER EDUCATION. In the newer “TransFair” label locales, such as both the United States and Canada, education efforts need be implemented to inform sellers and the consumer public of the meaning and utility of purchase of “fair trade”-labeled products. To this end, TransFair U.S.A. will communicate with businesses importing and selling the available products to encourage carrying of TransFair labeled produce. Initially, because alternative trading in coffee is already well developed in the U.S., and because coffee



producers in Latin America are well organized to supply these products, TransFair U.S.A. will focus on businesses importing coffee, expanding later to other commodities.

TransFair U.S.A. will use a variety of means to promote the concept of "fair trade" among U.S. citizens, and encourage consumers to buy products with the TransFair label. Applicant will increase efforts to educate the public about the need for, and economic impact of, alternative trade. This will involve a range of activities such as public speaking, writing and publishing articles, distributing information about successful alternative trading partnerships and the TransFair label to the media, and the possible production of a video about these efforts. We both note and emphasize that there is no intended benefit to any particular business(es) within the supply side of the market aside from the individual/cooperative producers whose definition as the charitable class to be served is paramount. Indeed, although it is applicant's methodology to have "fairly traded" products sought out by consumers, any benefit to commodity sellers (at either the wholesale or retail level) will, by definition, be only incidental to the "fair trade" chain of commodity exchange. Applicant's emphasis on encouraging trade with small producers may constitute only a small fraction of commerce between developed and developing countries, but same is enough [1] to make a very real difference to developing countries and the producers' communities; and [2] to be a visible, positive model of fair trading practices. Organizations promoting the TransFair label in Europe have been operating for two-four years, and have already succeeded in securing fair trade practices for 2% of the specialty coffee market, and smaller percentages of the cocoa, sugar, honey, and tea markets in their respective countries.

3. INITIATING FAIR TRADE PARTNERSHIPS. Another component of TransFair U.S.A.'s work will be to facilitate Indigenous Trade Partnerships. The objective of these partnerships is to connect Indigenous peoples from Third World countries with Indigenous businesses in developed countries. These connections are based on principles of equity, principles which are different from those promoted by most conventional businesses. A specific example of this kind of work is the establishment of a coffee roasting and distribution partnership between the Saskatoon tribal council and two Indigenous coffee growers cooperatives, Grupo De Los Catorce in Guatemala and the Union de Ejidos de la Selva, a member of CNOC in Mexico. Another example of this work is the development of a partnership between the Misquito Indians of the Atlantic coast of Nicaragua and the Meadow Lake Tribal Council. The Council operates the Mystic Management Corporation, which sustainably manages three million acres of forest in Southwest Saskatchewan, where they also operate a chlorine-free pulp mill. The Council has made a commitment to invest in the Misquito community by sharing new technologies and human resources to develop their forestry operation.

TransFair U.S.A.'s role in this initiative will be as a facilitator -- forging links and assisting with communication and negotiations. The development of alternative trade partnerships requires a great deal of relationship building and a careful nurturing of this process. It involves international exchanges and education with the goal of encouraging mutual understanding -- which leads to the establishment of full trade partnerships. TransFair staff will be devoting time to insuring that the partnerships which have just been established continue to develop and proceed. Staff will also continue to seek out new opportunities for additional partnerships.

4. COLLABORATION WITH U.S. SUSTAINABLE ECONOMIC ORGANIZATIONS. Over the course of the next six months, TransFair U.S.A.'s organizational structure will continue to be developed. Applicant's initial Board of Directors was appointed by action of corporate counsel in her role as incorporator, pursuant to efforts developed to date by IATP. It is expected that additional Board members, and potentially a membership organization structure, will be availed of, as efforts to create the intended educational and promotional materials and build and maintain individual and institutional contacts needed for promoting products utilizing the TransFair label are effectuated.

With appropriate funding, staffing for applicant's efforts will move from being comprised initially of two operational individuals (see data on same, which is included as Appendix information) to two formal officers (one full-time executive director, one half-time outreach coordinator) with the support of a full-time administrative person. Some of these positions may be filled, at least initially, via in-kind support from local academic institutions. For 1997, the specific goals such staff and applicant's Board would accomplish are as follows:

- Hire an Executive Director and Outreach Coordinator
- Sign a contract agreement with TransFair International obligating the "TransFair" mark's availability for use in the United States only to TransFair U.S.A.
- Sign a minimum of five license agreements with product providers (indigenous producers' cooperatives)
- Establish network contacts on the East and West Coasts, and in the Midwest, for launching of the TransFair mark/label
- Conduct at least six public information meetings with supporter organizations in the U.S.
- Conduct a series of public informational meetings in several Midwest states, targeting activist organizations, students organizations, co-op managers, consumer groups, organizations with international focus, and the public in general (consumers of these products)
- Strengthen Board of Directors via extension of membership to representatives from various collaborative organizations

By the end of 1997, it is our hope that the TransFair mark/label will be in use in the U.S., the general public will have a greater awareness about what "fair trade" means and how they can support it, that various indigenous trade partnerships which have been in a facilitation process continue to evolve and that new partnerships have also begun to develop. If in fact customers prefer "fair trade" labeled products when making their shopping decisions at their local stores, the increase of many new customers to the "world of fair trade" will in turn encourage more emerging and established companies to adopt fair trade principles in their business practices, creating more opportunities for the last three program components intended: consumer/seller education, indigenous partnership development, and collaborations with sustainable economic organizations.

## ATTACHMENT B--APPENDIX

Lisa Silverman has completed her master's thesis, earning a degree in public administration with a concentration on non-profit management from Hamline University in St. Paul, Minnesota in May 1996. She has a B.A. in International Relations and Intercultural and International Communications from the University of Minnesota. Lisa will be in charge of database maintenance, office and grassroots organizing and planning. She also coordinated press releases distribution in preparation for the TransFair launch day in 1996 together with J. Stacey.

J. Stacey Scharlatt is working on her master's degree and is scheduled to graduate in June of 1997 from the University of Minnesota. Stacey has worked as a volunteer organizer for the Twin Cities International Program, and has extensive experience in organizational issues. Stacey also has experience in organizational systems for non-profit organizations and has done public relations management for local businesses such as the Mississippi Market and other local retail stores. Stacey will be in charge of TransFair's volunteer program and will coordinate communications flow between volunteers around the country.

Attachment "C"

Proposal

## Launching the TransFair Fair Trade Label in the United States

### A Proposal to the

#### Background

Ours is an era marked by globalization of the economy. It will be years, even decades, before we as citizens can take full stock of the extraordinary changes that will permeate every facet of our lives due to the globalized economy. It is not too early, however, to engaged in a serious study and analysis of the process. Will globalization offer expanded employment opportunities by opening up markets, or will the currently existing vast inequities among nations and peoples of the world be made greater? Can we create a global economy with the same kinds of political accountability and regard for the economic, human, social and environmental rights of affected communities that we have come to expect from our national political system?

The rapid expansion of international trade in recent years has lessened the ability of consumers to know whether lower import prices represent true economies of scale or simply deepened exploitation through unfair labor practices. Is the price that we are paying for imported goods providing an adequate return to the producers, or is most going into the profits for middlemen and transnational marketing firms? To address this lack of information, we need to explore alternative ways for the market to guarantee that international trade provides benefits to every "link in the chain" — from producers to consumers. Fair Trade Labeling — the labeling of products produced under specific social conditions desirable to consumers — has the potential to be an important market-based system for supporting producers of goods and services produced and traded "fairly."

How are fairly traded products different from those that are not fairly traded? With the introduction of a fair trade label, consumers will be able to look at a product in the supermarket and know it meets these criteria: [1] it was produced by an organized group of producers who benefit directly, and not by an intermediary who received the majority of profits; and [2] the producers received a fair share of the price of that product. This knowledge alone will significantly boost consumption of products from small producers in developing countries, based on the experience in Europe and the way the alternative market has already developed in North America.

*The fair trade label is an example of a strategy that works, both in bringing economic stability to producers in developing countries and beginning to change the consciousness of consumers in Northern countries.*

While trade with small producers constitutes only a small fraction of commerce between developed and developing countries, it is enough to make a very real difference to developing countries and the producers' communities and to be a visible, positive model of fair trading practices.

### **Fair Trade: A Positive Alternative**

Concerned citizens around the world have been exploring the best ways to help improve living conditions for the poor as part of a more just and sustainable international economic system. The establishment of fair trading systems based on social justice criteria is one of the most effective and successful approaches developed thus far. By introducing a "fair trade" label based on these criteria, consumers can be assured that the dollars they are spending will flow into a trading system that [1] ensures equitable price and credit for producers; [2] promotes sustainable development for producing communities; and [3] results in high quality of goods and services to consumers. Like a "Good Housekeeping Seal of Approval," fair trade labels signal to consumers that a product has met certain standards regarding economic justice and sustainable production.

### **TransFair: A Global Model**

European alternative trading groups have successfully developed and introduced into 11 countries a fair trade label, called TransFair, which has come to be the global standard for this movement.

The international governing board of TransFair has established minimum criteria for a number of key products, including coffee, tea, cocoa, sugar, chocolate and honey. Plans are underway for developing criteria for sesame seeds, bananas and textiles.

Criteria include making sure that the products are marketed through cooperatives controlled by the producers themselves and ensuring that the prices paid by buyers in the North are fair. The criteria also require that organically grown products be bought at a premium price to provide incentives for promoting ecologically sound methods of production, processing, and distribution.

Importers, producers and distributors who meet these criteria, (monitored on a regular basis), have the right to use the TransFair label on their packaging and in their advertising. As you can see in the attached materials, this program is already a huge success.

The TransFair fair trade labeling initiative is based on basic market principles. Its general strategy takes into account key components of the market and standard requirements of today's demands in the marketplace. TransFair's marketing strategy, as stated in a recent annual report, is based on the belief that:

*Provided that the quality is good, and provided that consumers do not have to change their shopping routine (no out-of-the-way shops), a "sizable minority" of people are prepared to pay some 20-25% more, provided that some independent body guarantees that the extra benefit actually reaches the producers.*

Organizations promoting the TransFair label in Europe, after only four years of operation, have already succeeded in securing fair trade practices for around 2% of the specialty coffee market in their respective countries. We believe that many consumers in the U.S., just like in Europe, will choose fair trade labeled products when making their shopping decisions.

Importers, roasters, and other companies using the TransFair label pay a small licensing fee which covers the cost of criteria compliance monitoring and other administrative costs, such as fair trade promotional efforts. The goal is for all national programs to be financially self-supporting within five years.

### **Bringing the TransFair Label to the United States**

For nearly a decade, the Institute for Agriculture and Trade Policy (IATP) has developed public policies and conducted educational programs on international trade and development consistent with our mission of "fostering economically and environmentally sustainable rural communities and regions" in both North and South countries. Some of our key projects in this area have included:

- 1) "Selling to America" -- Training seminars for leaders of cooperatives from other countries wanting to develop markets for their products in North America. We have trained over 20 people in this program, mostly from the former Soviet Union.
- 2) Global Traders Conference -- IATP is a founding member, and IATP President Mark Ritchie is the vice-president of the Global Traders Conference, an international association of small and medium-sized enterprises working together to create a more transparent and equitable international trading system.
- 3) Sustainable Coffee Initiative -- In conjunction with the Smithsonian Migratory Bird Center, Conservation International, Rainforest Alliance, and Equal Exchange, IATP has been working to establish support for a fair trade coffee label, taking into account this coalition's "bird friendly" ecological criteria in conjunction with the TransFair social justice criteria.
- 4) Bretton Woods Revisited -- IATP gathered the surviving founders of the Bretton Woods System, which included the international trade organization that evolved into the current rules of global trade under the GATT, the General Agreement on Tariffs and Trade. Our goal was to inform ourselves and others in the fair trade movement about the original conditions under which current rules were established, the original conception and intention of these rules, and to get the

insights of these founders as to what reforms might be needed to evolve a more just and equitable fair trade system.

### Why a Fair Trade Label Initiative

Many times IATP has been asked by consumers "but how can I know that the products I am buying are produced in sustainable ways?" We had to reply that for the most part, consumers cannot really know the conditions under which most products have been produced, sold, transported, or marketed.

In response to these legitimate concerns, in 1993 IATP began to research what avenues we might be able to pursue to begin giving consumers this kind of information. Fortunately, we soon discovered that similar concerns had been raised in other countries and that consumers had established criteria for "fair trade" with developing countries and credible systems for labeling these goods.

In 1994, IATP entered into a dialogue with TransFair International. In 1995, the TransFair International Board of Directors approved IATP's request to begin the process of bringing the fair trade label to the United States. Over the past year, IATP has been in discussions with a number of groups in the United States who share our interest in seeing the introduction of the TransFair fair trade label into the U.S. market. In keeping with IATP's commitment to supporting fair trade, we are fully committed to facilitating the development of TransFair U.S. While we will promote the growth of TransFair U.S., it is essential that it become a fully independent organization within its first year of operation.

In ~~March~~<sup>April</sup> of 1996, a non-profit corporation, TransFair USA, was created as the legal structure for officially launching this initiative. The board of directors of TransFair USA is made up of representatives from the main groups involved in this effort: The Institute for Agriculture and Trade Policy, Global Exchange, The Institute for Food and Development Policy, and the Fair Trade Federation.

### Program Year Work Plan

During the next year, TransFair USA will have three primary goals:

- 1) The successful public launch of the label in the United States;
- 2) Establishment of the internal capacity to become a completely independent organization;
- 3) Securing contracts with importers, roasters, and retailers



4) Develop an annual operating budget and fundraising plan:

The executive director, in conjunction with the finance committee of the board of directors, will develop an annual budget and fundraising plan for TransFair USA and then successfully operate within this budget and fundraising plan.

5) Expand the Board of Directors, the Advisory Committee, and the creation of a TransFair USA membership structure:

The current board of directors and advisory committee members are listed in the appendix of this proposal. During the next year, in preparation for the launch, the board of directors will be expanded to include additional constituency groups and the advisory committee will be expanded to include additional individuals with expertise in the marketing of the full range of products currently eligible for the TransFair label, including tea, honey, cocoa, and sugar.

In addition, a membership structure for organizations who want to support TransFair USA will be created. The goal is to sign up constituency groups who can give direct financial support, and who can promote the TransFair label to their members.

6) Public education and publicity campaign:

The concept of fair trade and the specific role of the TransFair label have to be promoted through public education and through the media. Experience in other countries using the TransFair label suggest that the media will be very responsive to these ideas and will be interested in covering many different aspects of this project if they are informed and approached in a careful and consistent way.

7) Contract with ten (or more) companies to use the TransFair label:

The TransFair label rights in the U.S. will be assigned to us by TransFair Int'l, then accepted contracts given to retailers and distributors for the use of the label. In the first year, our goal is to sign contracts: with a minimum of ten companies.

8) Participate in key fair trade events, including the Smithsonian Institute's Sustainable Coffee seminar, the Fair Trade Federation annual meeting, and the TransFair International Board and membership meetings:

Over the next year, staff and board members of TransFair USA will participate in a number of key conferences, seminars, meetings, and other events in order to promote the general concept of fair trade and the TransFair label.

9) Organize a high-profile "launch" event in the United States:

Although the activities of TransFair USA are already underway, there needs to be a major public event, most likely in New York or Washington, to formally launch the organization and the label here in the United States. This event, making use of celebrities and key political and civic leaders, will be an integral part of the on-going publicity campaign.

### Project Outcomes

It is our hope that by the end of this grant period TransFair U.S. will be a fully operational organization. This would mean: funded, staffed, legal documents received, and programs developed and implemented. All of which will make an enormous contribution towards supporting and increasing the sale of fairly traded products in the United States.

Attachment "D"

Management

## Organizational Management

Overall direction is provided by the Board of Directors, which is currently made up of the following individuals.

Mark Ritchie, Institute for Agriculture and Trade Policy, *PRESIDENT / TREASURER*  
Allison Fields, Global Exchange  
Catherine Reno, Fair Trade Federation  
Anurahda Mittal, Food First

Dale Wiehoff, Institute for Agriculture and Trade Policy

In addition to the Board of Directors, TransFair USA also has an official Advisory Committee, made up of experts from the business community and other key constituencies.

At present, this advisory committee includes the following:

Bob Thomson, TransFair Canada  
Jonathan Rosenthal, Equal Exchange  
Reginaldo Haslett-Marroquin, Headwaters International  
Paul Rice, independent coffee consultant