Japan's Fair Trade Market Survey Report 2008

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Committee on Fair Trade Studies
Institute for International trade and Investment

Institute of International Trade and Investment (ITI) conducted the first survey on Japan's Fair Trade market and recently released its findings. The survey was conducted by the Fair Trade Studies Committee consisting mainly of major Fair Trade importers, which has regularly met since 2004.

The survey sheet format was based on the method introduced in "Fair Trade 2007: New Facts and Figures from an Ongoing Success Story" published by DAWS/FINE (hereinafter referred to as the DAWS/FINE Report) at the end of 2008.

The survey began in late February 2009 and responses were accepted until mid-April. Thus the outcome reflects the current worldwide economic recession. Major findings of the survey are as follows.

*Please refer to the end of the paper for technical notes.
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I.Current Situation of Japanese Market

1. Market Trend

Japan's Fair Trade market size (retail price) and growth rate: 7.3 billion yen (2007) and 8.1 billion yen (2008)

(1) Market Size
The survey estimates that the total retail value of Japan's Fair Trade market was over 7.3 billion yen in 2007 and about 8.1 billion yen in 2008, an increase of 11% from the previous year (see Table 1).

These figures are equivalent to 62.08 million USD (or 45.35 million euros) for 2007 and 78.32 million dollars (or 53.47 million euros) for 2008. The increase from 2007 to 2008 stands at 26% on dollar basis and 18% on euro basis (conversion rate based on the average figures for each year).

Table 1: Total retail value of Japan' Fair Trade market, 2007 - 2008 (estimated value)

	2007	2008	Growth rate
(1 million yen)	7,310	8,095	10.7
(1 million USD)	62	78	26.2
(1 million euro)	45	53	17.9
Reference: Exchange rate			
Yen / USD	117.75	103.36	
Euro / USD	0.7306	0.6827	

Note:
1. Please refer to the technical notes for the estimation method.
2. Conversion rates to USD and euro are based on the IMF average rate during the period covered.

According to the DAWS/FINE Report published in 2008, the total retail value of the world's Fair Trade market (consisting of 33 advanced nations) for 2007 is estimated to be 2.65 billion euros (approximately 427 billion yen). When compared against the world market size, sales in Japan accounts for merely 1.7% (2007) and is still very small.

(2) Prospects for Japan's Fair Trade market
The DAWS/FINE Report shows an increase as large as 41% from the previous year of the world's Fair Trade market. In the European market, the annual growth from 2000 to 2007 exceeds 20 to 30% proving that the Fair Trade market is one of the fastest-growing consumer markets.

Whereas in Japan, the market growth from 2007 to 2008 is 11% and looks moderate compared to the European market. However the growth is steady. Particularly, retail value of Fairtrade Labeled (herein after referred to as FLJ) goods has kept increasing by more than 40% annually since 2004, and the increase from 2007 to 2008 was as high as 44%.

It is noteworthy that many respondents projected their sales for 2009 to either “increase” or “level off” in spite of the current worldwide recession. Considering that the survey was conducted during March to April 2009 and that the results well reflect the situation after the year-end when the recession became visible, we can expect that the Japanese Fair Trade market will continue to grow, if not at very high levels as seen in Europe and the U.S.

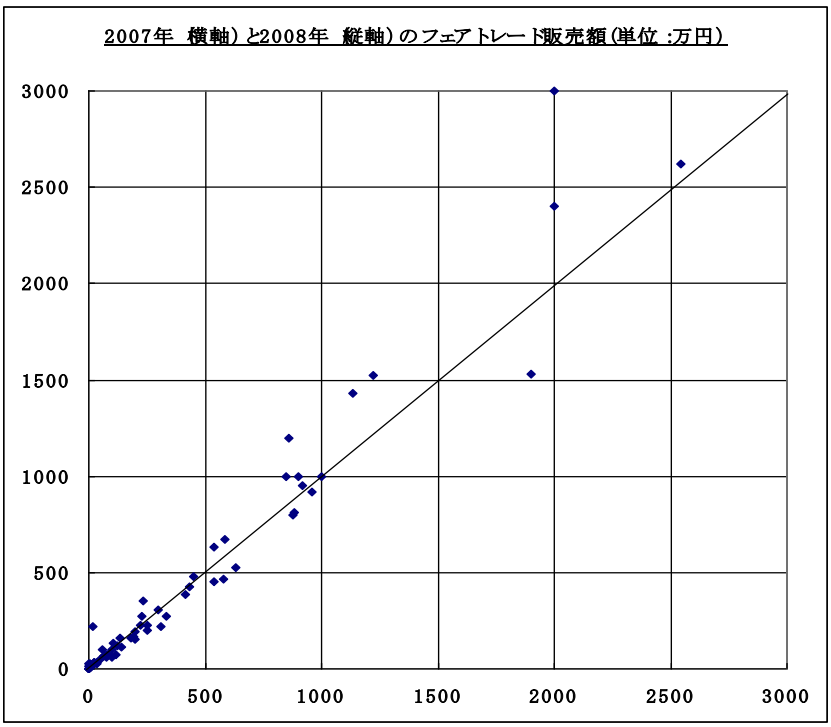
(3) Changes in retail value
The retailer survey shows that the total sales in 2008 increased by 7.7% from 2007, and 46% of the retailers enjoyed an increase in sales, while 43% saw a decline.

Chart 1 demonstrates such changes. Fair Trade sales in 2007 is plotted on the X axis while that of 2008 on the Y axis. A dot above the 45 degree angle line means that the sales for 2008 increased from 2007.

Looking at the top ten best selling retailers, we find that;
1, Sales of Fair Trade goods in 2008 increased by 15.9% from the previous year.
2, Eight retailers saw an increase in their sales, one retailer a decrease, and one leveled off. As is obvious from the chart, sales at Fair Trade retailers on the whole is increasing, and those retailers with large sales turnovers tend to have a greater increase.

Chart 1 : Distribution of sales by retailers
(Change in the sales of Fair Trade goods between 2007 and 2008)

Sales figures in 2007 on the X axis, those of 2008 on the Y axis



2. Shares by category

When we look at the retail market of Fair Trade goods by category, foods is predominant accounting for 79% of the total in 2007 and 2008 (see Table 2), followed by 11% of garments, and about 9 % of handicrafts. No major change has been identified in the shares by category.

Table 2 : Shares and growth by category

	Ratio		Growth from previous year	Contributing ratio
	2007	2008		
By category	100.0	100.0	10.7	10.7
1. Foods	79.3	79.2	10.8	78.6
2. Handicrafts	8.9	8.6	6.4	5.3
3. Garments	10.7	10.7	11.6	11.4
4. Other	1.1	1.5	46.3	4.8

Note: Figures include FLJ goods

As regards foods, FLJ goods are dominant, and they are also core products for importers. When we take a look at growth rates, that of food and garments was about 11% while that of handicrafts stayed low at 6.4%. Therefore its share dropped from 8.9% in 2007 to 8.6% in 2008. 'Other' category grew by as much as 46%, however its share is limited and only slightly increased from 1.1% in 2007 to 1.5% in 2008. The increase in the 'Other' category may be attributable to new products such as flowers and organic cottons introduced to the Japanese market in 2008. However the major contributor to the increase in the Fair Trade sales as a whole (11%) is undoubtedly 'foods' (79%).

3. Shares by distribution and sales channels

(1) Shares by distribution channel

Chart 2 shows different distribution channels of Fair Trade goods in Japan and an estimated share

of the market (8.1 billion yen).

Two major distribution channels are as follows;
(a) Via organizations and businesses whose main business is to import Fair Trade goods (hereinafter referred to as 'importers'), the sales of which account for 82% of the total, and
(b) Via other organizations and businesses that import FLJ-certified goods that account for 18%.

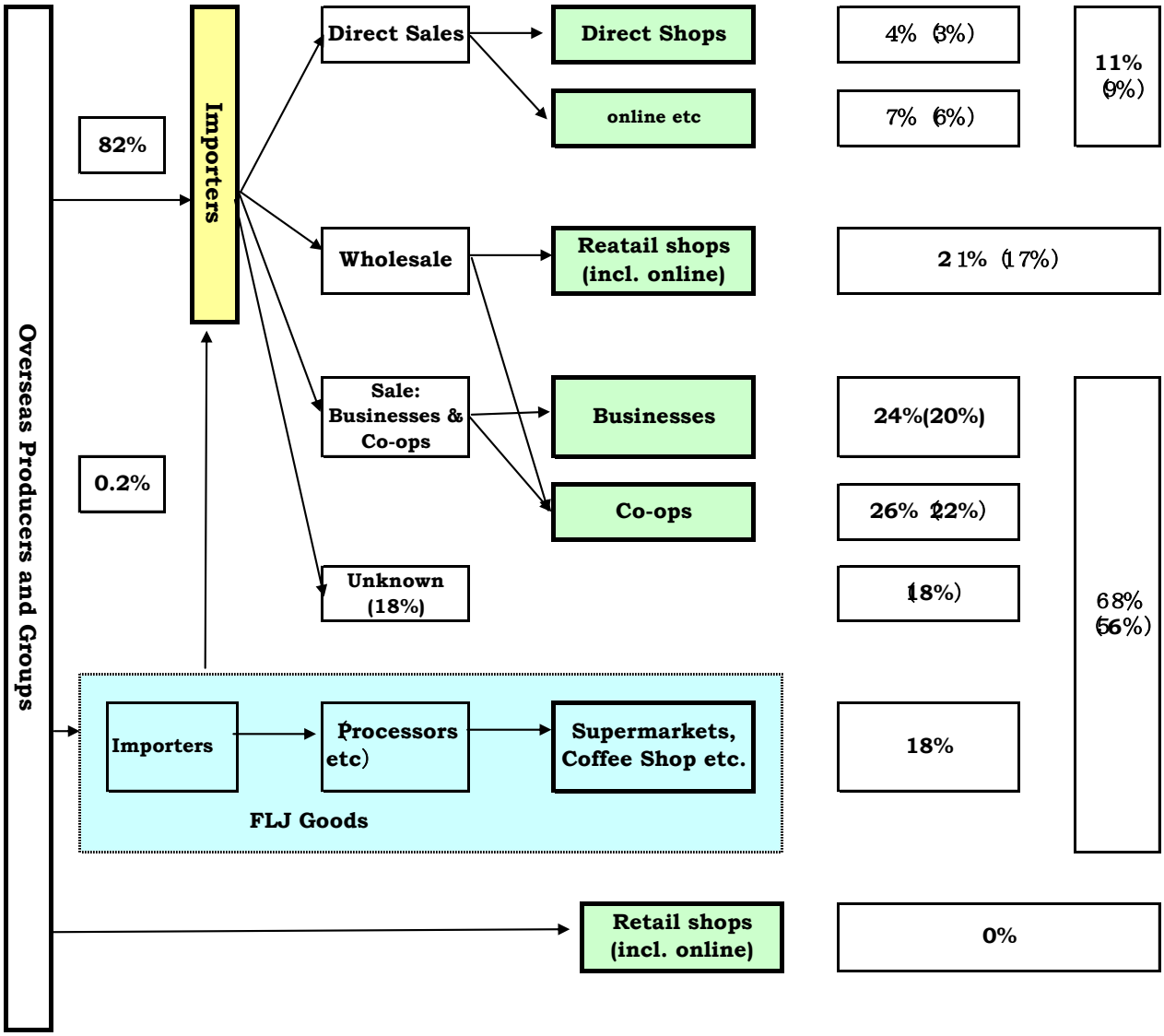
Importers have three sales channels, the largest being Co-ops (26%) followed by retail shops (21%), and wholesale to companies (17%). Other channels include direct sales by importers (11%), of which four percent is through their direct shops etc. and seven percent through online sales.

Distribution of FLJ goods makes up 18% of the total market, where businesses have the products from overseas Fair Trade producers or organizations certified by FLJ and import to Japan. Although major importing duties are handled by trading companies, some processors directly import such goods. Item wise, coffee is predominant followed by tea and other produce. Major sales outlets are retail companies with chain stores and coffee related businesses including roasters and coffee shops.

Other channels include direct import by Fair Trade retailers from overseas producers or groups but the percentage is negligible.

Both channels combined, 68% of all the imported Fair Trade goods is for businesses and co-ops (see Table 2). This includes businesses that acquired license from FLJ importing certified goods, as well as importers' sale to co-op and other enterprises. This is then followed by wholesale that makes up 20%, 12% of which is to retailers and 8% to middle traders (this will eventually be sold to retailers). The third largest channel is direct sales, which makes up 11%, as mentioned above.

Chart 2 : Distribution channels of Fair Trade goods in Japan



Note: Ratio by sales Channel, shown with a '%', is approximate and excluding the figure of "unknown" from the total. However,percentage in parenthesis is propotuon to the total sales.

(2) Growth by distribution channel

Growth in retail sales by distribution channel between 2007 and 2008 shows comparatively high growth for mail order sales (14.6%) and sales to businesses and co-ops etc.(14.5%) (see Table). Mail order sales includes online sales and this indicates expected future increase in online sales. Some importers sell their goods online but many retail shops with their own website sell their goods online. A major contributor to the growth from 2007 to 2008 is sales to businesses and co-ops, which accounts for 74%. It is obvious that an increase in sales to businesses largely contributes to expanding the Far Trade market.

Table 2 : Share by sales channels of importers and certified bodies (2008)

%

		Ratio		Growth from previous year	Contributing ratio
		2007	2008		
By Sales channel		100	100	10.7	10.7
Direct sales	1. Direct shops	3.5	3.5	11.7	3.1
	2. Mail order	7.3	7.4	14.6	8
Wholesale	3. Wholesale to retailers	12.8	12.4	10.1	9.7
	4. Wholesale to middle traders	8.8	8.3	7.6	5
Other	5. Sales to businesses and co-ops	67.6	68.4	14.5	74.2

Note: Estimated retail value of FLJ-certified goods is included in '5. Sales to businesses and co-ops'. Sales to unknown channels is excluded.

4 . Fair Trade importers

(1) Number of Fair Trade importers

Among the 43 Fair Trade importers that we mailed survey sheets to, 18 replied. These 18 organizations import most of the Fair Trade products brought to Japan. A Fair Trade importer is defined as a group that trades directly with producers / exporters in developing nations following the standards of Fair Trade, and sells such items through direct sales or to Fair Trade shops and businesses in Japan. Other than the above, some NGO's involved in development or international cooperation activities sometimes import goods made by local groups for sale in Japan as part of their activities.

(2) Forms of Importers

Of the 18 Japanese Fair Trade importers that responded to our survey 9 were NPO's (including foundations and corporations), 5 limited companies, 3 joint stock companies, and 1 personal business. Some organizations were set up solely to engage in Fair Trade activities, whereas many started Fair Trade as part of their NGO activities in developing nations.

(3) Sales by importers

Of the 18 respondents, two had sales of over 1 billion yen, one sold 500 million to 1 billion yen, three sold 100 to 500 million yen, three 50 to 100 million yen, and nine less than 50 million yen for of which sold 10 million.

(4) Types of business and features of importers

As for business category, many responded that they specialize in Fair Trade, while some categorized themselves as ecology-related or community shops. Here an ecology-related shop refers to a specialty shop with a focus on the environment and a community shop is a shop

involved in community activities based on the direct food delivery scheme from farms. This scheme started as a movement to support farmers and has greatly helped rural farming communities of Japan.

Twelve of the forty-three Fair Trade importers in Japan including ten of the eighteen respondents own their own retail shops. In addition, ten organizations sell online. For all importers, the percentage of sales from Fair Trade goods in relation to the total sales was more than 95% in both 2007 and 2008, which shows that their main business is Fair Trade.

(5) Where products are sourced

Japanese importers import from producer groups in over 30 nations or regions. Major supplies come from Asia that makes up 86% in 2008. This is followed by Central and South America (6%), Europe (5%) and Africa (3%). Only one importer imports from Pacific nations. Chocolate makes up most of the imports from Europe. It is because chocolate's ingredient, cacao is produced in developing nations as a Fair Trade commodity and then is processed into chocolate in Switzerland and other advanced nations. A negligible amount is imported from the U.S., Canada and Portugal, which is thought to be purchased from Fair Trade importers in those countries.

Table 3: Shares of Fair Trade supply by region %

	Ratio		Growth from previous year	Contributing ratio
	2007	2008		
Region	100.0	100.0	10.7	10.7
1. Asia	85.9	85.7	6.7	82.0
2. Africa	2.4	2.6	16.9	5.7
3. Central & South America	6.1	6.0	5.4	4.7
4. Middle & Near East	0.6	0.6	7.9	0.6
5. Europe	5.1	5.2	9.5	6.9
6. Pacific Islands	0.0	0.0	0.0	0.0

Note: Above figures exclude goods whose suppliers are unknown.

5. Fair Trade retailers (shops)

(1) Number of Fair Trade shops

As regards the number of distributing channels of Fair Trade goods, we sent questionnaires to 806 retail shops that deal in Fair Trade goods. Major shops are covered in the survey although the precise coverage is not certain. If we add the ten shops directly run by importers, the number of Fair Trade retail shops in Japan totals over 817.

Other than the above, some channels include supermarkets and coffee shops and restaurants (so-called 'out of home market'). Also companies and trading companies have their own retail networks (GMS, including supermarkets). However the specific number is not known. If we simply add up retail networks of companies that sell Fair Trade goods (ie. FLJ licensees), the total number of shops exceeds 5000. However it is not known whether all of such shops deal in Fair Trade goods.

(2) Regional development of Fair Trade shops

Shops are located in all prefectures of Japan and they are particularly concentrated in the Kanto region formed around Tokyo and the Chubu region. When we see numbers of shops by prefecture, 142 shops are in Tokyo, 62 in Kanagawa, 66 in Hokkaido, followed by 45 in Aichi, 34 in Shizuoka and in Osaka respectively, 33 in Chiba, 27 in Saitama, 23 in Hyogo and 20 in Fukuoka.

(3) When Fair Trade sales started

Five shops started selling Fair Trade goods before 1990. 36 shops stared between 1990 and 1999 and 54 shops after 2000 (respondents total 95). Table 4 shows that majority of the shops began selling Fair Trade goods after 2000.

Table 4: When retailers started sales of Fair Trade goods

	Started of Fair Trade sales	Started operation
Before 1979	1	9
1980 - 1989	4	12
1990 - 1999	36	32
In and after 2000	54	42

(4) Business types of retail shops

When we see the type of shops selling Fair Trade goods (see Table 5), 31 shops are Fair Trade specialty shops and another 29 are cafes / restaurants, followed by 14 natural food shops and nine ecology shops that are environmentally-conscious. It is worth mentioning that six community shops which sell farm-fresh vegetables also sell Fair Trade goods.

Table 5 :Business types of Fair Trade retail shops

Type of shops	Number of shops	
Fair Trade shops	31	Includes shops over 80% of whose goods are Fair Trade
Cafes and restaurants	29	Includes businesses with own cafes
Natural food shops	14	Includes businesses with own natural food shops
Ecology shops	9	Includes businesses with own ecology shops
Community shops	6	Includes businesses with own community shops

(5) Total sales of retail shops

It was seen that Fair Trade retailers are facing financial difficulties. Only about 10 shops have annual sales of more than 10 million yen (excluding direct shops of importers), and about 60 % of the total respondents have an annual sale of less than 2.5 million yen. Comments to the questionnaire also showed the difficulties of running Fair Trade shops.

The average annual sales of the 66 Fair Trade retailers that responded have increased by 7.7% from 4.05 million yen in 2007 to 4.36 million in 2008. The average annual sales of Fair Trade specialty shops was 9.33 million yen in 2007 and 9.26 million in 2008 both of which are more than double the average for all retailers. However a growth rate for 2008 is not so high as in 2007. On average, 86.9% of the total sales at Fair Trade specialty shops was from Fair Trade products.

6. Sales by FLJ and businesses

(1) Estimated retail sales of FLJ goods

A Japanese counterpart of International Fairtrade Labeling Organization, an international certificate body of Fair Trade goods is Fairtrade Label Japan (FLJ).

Retail sales of FLJ-certified goods estimated on the basis of licensee fee paid to FLJ is 984 million yen for 2007. This has increased by 44% to 1.44 billion yen in 2008. Retail sales of FLJ licensed goods showed little fluctuation between 1993 and 2002 but increased steadily to mark an annual increase of over 40% after 2004.

(2) Licensee corporations

As of the end of December 2008, there are 40 licensee companies or groups that sell FLJ certified goods, of which are importers. When we add two organizations that only engage in import duties, the total will be 42. Seen by business types, among the 40 licensees 30 are food-related organizations most of which are coffee companies, three are not food-related (flowers and apparel), two are distributors (GM, SM, CS, and specialty shops), two are coffee shop chains, one is mail order business and two are Fair Trade groups.

(3) Situation by item

Coffee is a predominant item among certified goods and dealt in by 30 organizations in 2008. It is followed by tea by eight and flowers and cottons by two organizations respectively. These are followed by bananas, sugar, honey, spice, herb, chocolate, wine, soccer balls, juice, dried fruits, nuts etc.

(4) How labeled goods are sold in retail stores

57.6% of the retailers who responded sold FLJ-certifies goods. A ratio of sales of FLJ-labeled goods against all goods at retailers generally stands between 20 and 30% with the average of 17.9%.

Ⅱ. Features of Japanese Fair Trade market and its future

1. Status-quo of the Japanese market - Negative side and positive side

As explained in Section 1, the Fair Trade market size in Japan is 7.3 billion yen for 2007, and 8.1 billion for 2008. When compared to the markets of other advanced nations and considering the country's economic strength, the market size is too small. The following are some negative sides of the Japanese Fair Trade market.

1. The size of the Japanese Fair Trade market is as small as 1.7% of the world market.
2. Retailers selling Fair Trade goods are predominantly small scale with an annual sale of less than five million yen. Only ten shops have an annual sale of over 10 million yen. All shops are facing tough financial situations.
3. Companies show limited interest in Fair Trade as compared to worldwide attention to it. Only a limited number of enterprises have entered the Fair Trade market. Only around 40 companies are licensees of FLJ.
4. In major European countries and the U.S. over 80% of consumers are aware of Fair Trade, whereas in Japan the awareness level seems to be still very low (this survey did not cover the awareness level)

It can be gathered from the above that Fair Trade business in Japan is still at the starting point.

From what has been revealed from this survey, we could point out the followings on the potential of spreading Fair Trade in Japan.

1. The Japanese Fair Trade market expanded by 11% from 2007 to 2008. This rate seems minimal considering the trend in the world market which is growing by over 30 to 40% annually. However when asked for the outlook for 2009, an overwhelming number of importers and retailers answered that their sales will grow or level off despite the present worldwide recession. (This survey was conducted in March – April 2009.) This shows that we can expect the Japanese Fair Trade market to expand steadily.
2. The number of Fair Trade importers is still limited in Japan, but major importers (business entities) are succeeding in establishing their brands. Some of such importers' direct shops sell over 50 million yen annually. Regional community shops are also doing very well to further expand the Fair Trade market. The survey also shows that shops with larger sales tend to show higher increase in sale.
3. License fees paid to FLJ have been increasing annually by over 40% in recent years. This shows that FLJ certified goods is one factor that helps expand the Japanese Fair Trade market.
4. As is obvious from the data of 2008, the shares of foods and sales for corporations and co-ops are high in the Japanese Fair Trade market and they also show higher increase in sales. In other words, sales of Fair Trade food products by corporations is beginning to work as a driving force to expand Japan's Fair Trade market.

[Signs of the spread of Fair Trade in Japan]
The above positive trends give us an impression that the Japanese Fair Trade market is at the turning point for growth and development. As we reviewed written responses from importers and retailers, we noticed their expectations for a quick expansion of the Japanese Fair Trade market.

Factors at the base of such expectation are:

1. Fair Trade has been more widely covered by the media.
2. Younger generations including students are showing greater interest in Fair Trade.
3. Growing numbers of Fair Trade events and participants.
4. Continuous increase in the number of participants in the World Fair Trade Day events.
5. Campaigns for Fair Trade coffee (by retailers including Slow Cafe, Peace Winds and PARCIC) and chocolate (by People Tree, Choco-Revo, Slow Water Cafe etc.) are impacting general awareness of Fair Trade. Coffee and chocolate are effective tools to introduce Fair Trade to beginners.
6. Burgeoning consciousness of consumers in Japan.
7. Companies' approach to Fair Trade seem to have begun.

However it is still not certain how rapidly it will actually develop in the future.

There are many issues that need to be tackled in order to improve the awareness of Fair Trade in Japan and to expand its market. Considering what have been pointed out from our respondents, the issues include:

1. Challenges for Fair Trade shops,
2. Issues with companies handling Fair Trade goods,
3. Initiatives by autonomies/governments,
4. How campaigns should be run,
5. Collaborating with younger generations and students,
6. Networking organizations, and
7. Potential for Japan's own style of developing Fair Trade

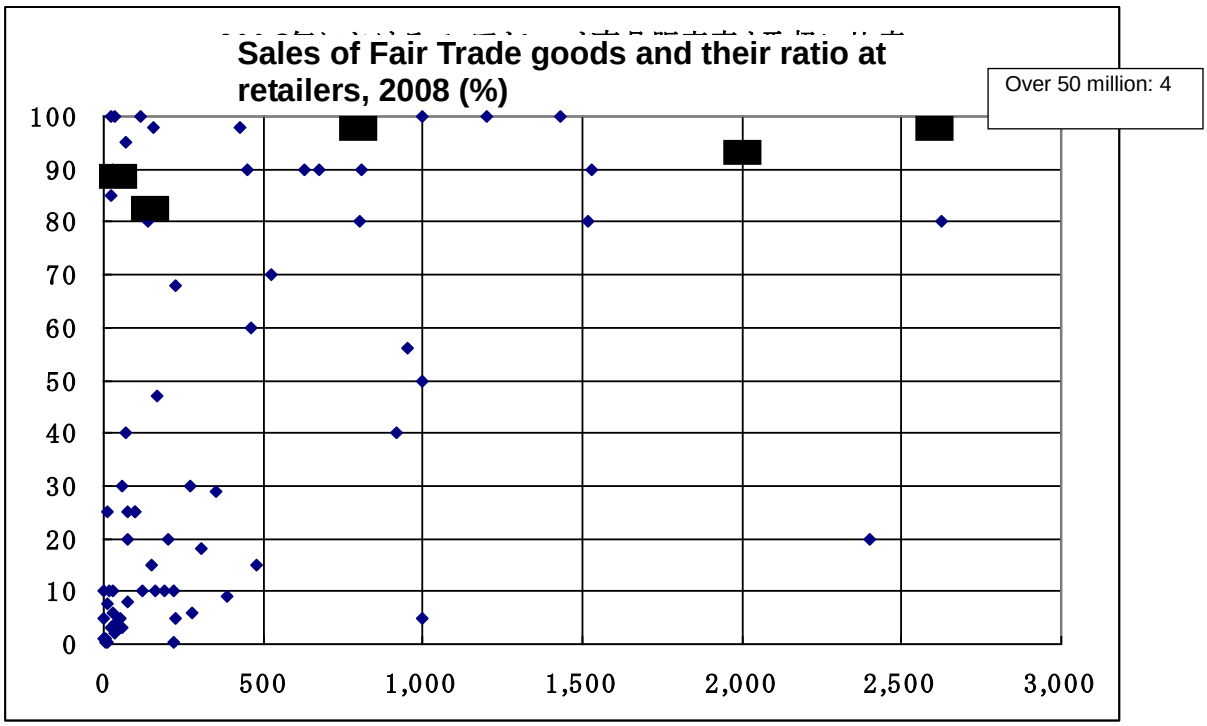
2. Challenges for Fair Trade in Japan

(1) Challenges for retailers
Given the purpose of Fair Trade, a rapid expansion of the market alone is not a success. In this regard, shops that communicate face-to-face with consumers play an important role in spreading the principles of Fair Trade. The survey revealed retail shops' passion for Fair Trade. "I believe Fair Trade won't spread without the support from us retailers. Our shops can be the information center of local communities," said one of the retailers. "Retailers need to sustain and development their business in their communities so that it can be handed over to the next generation."

Chart 3 shows the current status of the Fair Trade shops in Japan, using the sales at shop against the ratio of Fair Trade goods to its total sales. The figure suggests us the following:

1. A majority of Fair Trade retailers have an annual sale of less than 5 million yen. Furthermore, most of them sell less than 2.5 million yen annually.
2. Retailers whose annual sales of Fair Trade goods is less than 5 million yen tend to polarize between retailers with low proportion of Fair Trade goods and those with high proportion.
3. Retailers with over 80% of whose sales are from Fair Trade goods, including Fair Trade specialty shops, are spread widely regardless of the total sales of Fair Trade goods.
4. Retailers with low percentage of Fair Trade goods largely have low sales from Fair Trade goods. It shows that they sell them as part of their various activities. (Only one retailer with low percentage of Fair Trade goods has high total sales of Fair Trade goods.)
5. On the other hand, a relatively large number of retailers with high ratio of Fair Trade sales sell more than five million yen. Some shops even sell as much as 10 million yen or more than 25 million yen. Four shops directly run by Fair Trade importers sell over 50 million yen.

Chart 3 Sales of Fair Trade goods and their ratio at retailers (%)



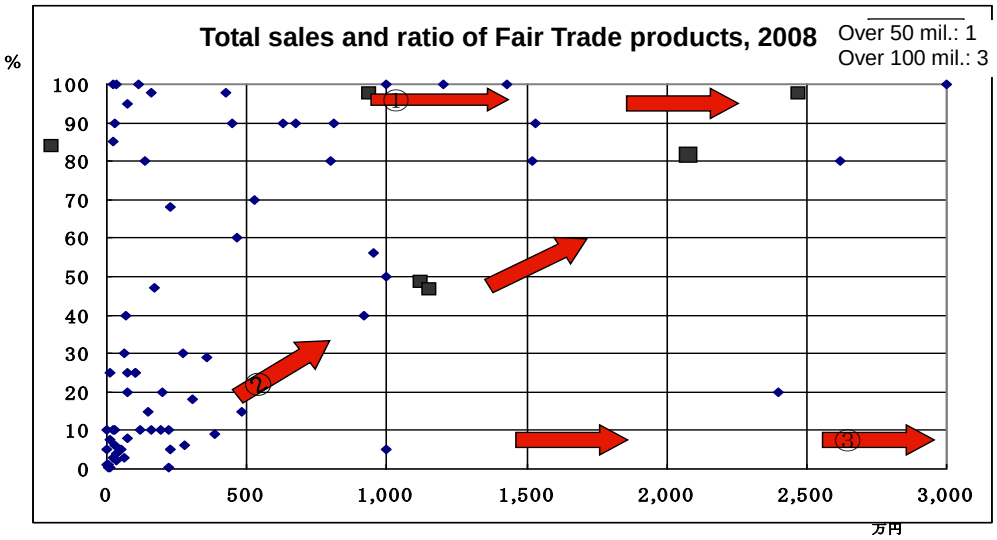
Note : ■ indicates shops directly run by importers. All of the four shops with more than 50 million sales are such shops.

Having seen the trend of Japanese Fair Trade retailers as above, the following strategy can be drawn for future development.

First, it is strategically important to expand sales of retailers with high ratio of Fair Trade goods. In other words, a strategy is needed for those shops with more than 80%, or even 50% ratio of Fair Trade sales and less than five or ten million yen annual sales to move rightward in the chart, i.e. 15 million yen or more annual sales.

Presence of such symbolic shops and their development have a secondary impact on shops with an annual sales of less than five million yen and with small proportion of Fair Trade goods, which may increase their potential and steadily bring up sales ratio of Fair Trade goods. By increasing the ratio of Fair Trade goods, their sales can expand. The success of specialty shops as described in Section 1 can stimulate these small-scale shops to move from bottom left to upper right in the chart.

Tasks and actions: Expand the market by increasing the sales of shops with higher ratio of Fair Trade goods.



■ is a shop directly run by an importer.

Thirdly, with the growth of such Fair Trade specialty shops, other businesses may show more interest in the Fair Trade market and may decide to actually enter it themselves. There may emerge new businesses at the bottom right of the chart, with small ratio of Fair Trade goods but with relatively high Fair Trade sales.

In other words, increase in the sale of Fair Trade specialty shops can lead to the growth of other shops. Increasing the number of Fair Trade specialty shops with sound management base is a key to firming the future Fair Trade market in Japan.

People involved in Fair Trade need to discuss what kind of actions are required to realize the above and to build a proper supporting system.

For instance, proposals from retailers include:

1. Government policy and support for nurturing the Fair Trade market (in EU there is strong support from governments and lawmakers).
2. Local autonomies' initiatives in Fair Trade
3. A national network of Fair Trade organizations to raise awareness through national campaigns or introduction of standardized logos and through sales support and trainings to retailers
4. Better financial systems such as NPO banks that financially support Fair Trade shops
5. A system to support local Fair Trade specialty shops through cooperation with JETRO, JICA, Council of Local Authorities for International Relations, International Cooperation Association, universities and students networks
6. Better quality and stability of Fair Trade goods, and
7. Improved trading conditions by importers.

3. Ratio of certified goods against non-certified goods

The DAWS/FINE Report reports on the market for FLO-certified goods and the market for non-certified goods separately. According to the report, FLO-certified goods accounted for 90% in the European Fair Trade market in 2007 and non-certified goods, brought in mainly via importers, accounted for 10%. The two categories represented 87% and 13% in 2006. The DAWS/FINE Report says that this overwhelming proportion of certified goods in the market is largely attributed to the introduction of the FLO certification system, which prompted businesses with retail networks to deal in more Fair Trade goods and the sharp increase in their sales.

The ratio of FLJ-certified goods and non-certified goods in the Japanese Fair Trade market was 13.5% and 86.5% each in 2007 and 17.8% and 82.2% in 2008. Although the sales value of FLJ-certified goods increased by 44% from the previous year, importers still play a major role in the Japanese Fair Trade market. The share of certified

goods increased by 4.3% from 2007 to 2008.

Relatively low share of certified goods in the Japanese Fair Trade market is partly due to the delay of businesses in entering the market. With more corporations in the market, the share of certified goods in Japan might expand rapidly like in the European market. However it is not yet known whether it will expand to the same level as in Europe. Currently WFTO (former IFAT) is working to introduce a new certification system, which can increase the sales of certified goods by importers.

It is encouraging that Fair Trade goods are to be sold in nationwide retail networks such as supermarkets, because this can give consumers easier access to Fair Trade goods in their daily shopping. In reality many consumers in Europe and America see and can opt for Fair Trade in nationwide or regional retail networks, which led to the rapid expansion of Fair Trade.

Another merit of businesses entering the market is that it leads to the increase in sale of Fair Trade goods, which is beneficial to people in developing countries. At the same time, however, it poses some concern as it may prioritize sales over efforts to spread primary principles of Fair Trade

[Retailers' opinion on the entry of corporations in the market]
When businesses enter the Fair Trade market, it is important for them to link with and recognize their CSR (corporate social responsibility) policies. From the standpoint of supply chain management, corporations try to show that they address the issues of the environment and safety as well as child labors etc.

Retailers have varied opinions towards businesses entering the market. Some welcome the move, saying "Unless corporations work together to approach the issue, development of Fair Trade will be slower," and "We welcome supermarkets and other outlets to sell Fair Trade foods and other items." On the other hand some critical opinions include "We hope businesses will cooperate with us with good understanding of Fair Trade but it may be difficult." There were even more negative opinions.

Fair Trade requires continued efforts to establish and sustain trust. Fair Trade specialty shops must maintain their position as a bridge connecting producers and consumers. In short, Fair Trade specialty shops maintaining the same level of sales for a long term is considered to be a desirable form of spreading Fair Trade in Japan. If FLJ continues to increase its sales value by 40% and sales of non-certified items increase by 8% annually, the ratio of FLJ-certified goods will exceed 50% in 2014 and they will help grow Japan's Fair Trade side by side.

A balance and coordination between importers and certifying bodies holds a key to the future development of the Japanese Fair Trade market. At the same time it requires importers and shops to develop their business further as a rapid increase in the share of certified goods is expected in the future. This is another challenge for Japan's Fair Trade market.

4. Expectations for local autonomies - Fairtrade Town Movement
This survey did not cover actions taken by local autonomies. However, responses from Fair Trade shops and others on their activities in the past three years shows some burgeoning trend of local municipalities in Japan addressing the issue of Fair Trade.

One of the examples is an increasing number of shops are participating in or organizing events in cooperation with International Exchange Associations that is a concerned body of local autonomies. As seen in Europe, local municipalities addressing the issue of Fair Trade is vital in promoting Fair Trade. In particular the concept of the Fairtrade Town (Declaration of Fairtrade Town) that started in the U.K. in 2000 quickly spread to entire Europe and even to the U.S., Canada, Australia and other countries. None of the Japanese local municipalities has declared itself as a Fairtrade Town, but from responses of the shops can be seen their growing interest in having Fairtrade Towns in Japan.

Many shops answered that raising the interest of the municipalities is a key to promoting Fair Trade. Many respondents answer as follows: "We hope to promote Fair Trade by approaching prefecture or municipal governments in the future" but "we find it hard to appeal to municipality governments. We are often irritated with their slow responses."

Several networks of Fair Trade groups are working to have their municipalities declare as a Fairtrade Town. Kumamoto City and Sapporo City have active Fair Trade groups. Some municipalities such as Kanagawa Prefecture and Yokosuka City show some interest in Fair Trade but they so far have not taken any positive actions.

There are many challenges for Japan in making the Fairtrade Town system in place. The first is cooperation with municipalities, the second is building up citizen networks, the third is establishing a body to certify municipalities to become a Fairtrade Town, and the fourth is finalizing details of the declaration. The fourth task especially requires the standards tailored to particular conditions in Japan, referring to international standards.

5. Building regional networks and expectations for national networks

Japan has a national Fair Trade network of students called Fair Trade Students Network (FTSN), yet there is no nationwide network of importers or shops. It is noteworthy that many respondents in the survey looked forward to not only a regional but a nationwide network of Fair Trade organizations.

However, the survey showed that some local Fair Trade shops are already working to build networks to promote Fair Trade and organize events. 1) In Kumamoto City an NGO Fair Trade Kumamoto has been set up to work cooperatively. 2) Hyogo Prefecture has a network organization of twelve organizations and shops set up in 2004 to further exchange ideas and to co-organize seminars and events. 3) In Sapporo City Fair Trade organizations and shops hold Fair Trade Festa in a park in the city center in June every year since 2006 and are working to make the city a Fairtrade Town. 4) Four local organizations set up a network in Yamaguchi Prefecture to co-host events such as the World Fair Trade Day in May.

[**Setting up National Networks]**

Many importers and shops pointed out the need for a national network of Fair Trade organizations, importers and shops in Japan. In particular, responses reveal their expectation for the network to provide support by raising awareness on Fair Trade. This indicates the need to set up such a network organization in Japan in the near future.

Importers and shops expect a network organization to work in the following areas:

- Lobbying to local and national governments to strengthen NPO financing schemes
- Common promotional activities: making the World Fair Trade Day a bigger and more participated event throughout the country, annual Fair Trade fairs, temporary Fair Trade shops, campaigns for producers and distributors, Fair Trade move festivals
- Shared promotional materials: a common logo, guidebooks for Fair Trade, educational materials, Fair Trade shops directories, sales manuals with extensive information on producers, Fair Trade card games
- Group production: more than one Fair Trade organization co-producing to meet the needs of businesses in terms of production logs, delivery dates an materials, financing support, repair service scheme
- Seminars, meetings and trainings: holding discussions, training in Fair Trade business for retailers, introducing lecturers, providing advice, surveys and information library
- Making visions: ten-year plans - setting targets for 2020, regional campaigns with students for Fairtrade Towns

[Working with younger generations and students — growing interest among youth]

Many shops and importers point out a growing interest in Fair Trade among younger people including students. "An increasing number of people in their 20's and 30's are interested in Fair Trade. More young customers visit Fair Trade shops and help promote Fair Trade." "Compared to some 10 years ago, young people in their teens and 20's now think it's cool to work on social issues such as Fair Trade.

Students especially have become more active in working on Fair Trade. "Students come to know about Fair Trade at schools and universities and their interest is growing." "It's great that in universities and high schools they have seminars on Fair Trade and sell Fair Trade goods." "Some high schools have Fair Trade exhibitions and booths at their cultural festivals. Students' awareness is growing." "Students' commitment is making the Fair Trade movement more active." One respondent said that "Those shops that work with students are doing well." Having younger people as volunteers seems vital for shops to scale up their activities.

There will be no future for Fair Trade without interest from younger generations. One of the factors for the development of Fair Trade in Japan is already nearly satisfied. Japan already has actively working Fair Trade Students Network (FTSN).

6.For the Development of Japanese-style Fair Trade

(1) Fair Trade movement as civil society's power

Japan may be at its turning point for the future development of Fair Trade. Unlike in Europe there is no active involvement from governments and lawmakers or active support from municipalities and labor unions in Japan. Greater awareness of the media and political systems is needed.
"
We need to acknowledge one again that Japan's Fair Trade movement has been brought up and supported by continued efforts of Fair Trade importers and regional shops. Also we have to be aware of the significance of Fair Trade movement as a civil society act and the need for civil society's power.

Ideally Japan's Fair Trade will develop around Fair Trade specialty shops that work with regional communities.

In addition, Fair Trade is a new consumer movement that seeks not only development cooperation but also social reform through daily shopping. Of the many impressive messages from the shop that joined this survey I'd especially like to quote this one: **"Everyday shopping means so much as a vote in an election."**

(2) Supporting and vitalizing Fair Trade specialty shops

Based on the survey results, this report has pointed out the importance of improving sales of Fair Trade specialty shops, and how that can lift the whole Fair Trade market in Japan.

Unlike in Europe, importers hold a major share of Japan's Fair Trade market over FLJ-certified products. The low ratio of certified goods is a reflection of the delayed market entry by companies, but it also shows the strength of Fair Trade being a civil society act. The ratio of certified Fair Trade goods is likely to rise in Japan as well and one of the challenges will be how to balance the two categories of Fair Trade products. For that end, vitalizing Fair Trade shops should then vitalize Fair Trade importers, while market entries by enterprises should increase the range and amount of certified Fair Trade products. Collaboration between Fair Trade importers and FLJ, as well as Fair Trade shops is vital to build a market unique to Japan.

(3) Pursuit of Fair Trade in Japanese-style — Collaboration with domestic farmers

Japan might have its own unique way of developing Fair Trade.

As some have already been pointed out in this report, features of Japan's Fair Trade are:
1) Growing market balancing FLJ-certified and non-certified (importers') goods
2) Fair Trade specialty shops leading the market
3) Cooperation with community organizations such as those for the disabled or for revitalizing local communities
4) Collaboration with farmers' groups in and out of Japan (described below), and
5) Fair Trade garments. Items using such materials and techniques as organic cotton, hand-woven and natural dye fabrics are characteristics of Japan's Fair Trade. Japanese Fair Trade importers have proven that garments production is very effective in creating more job opportunities. This has led to the idea of Fair Trade fashion shows.

Cooperation with domestic farming communities, as pointed out above, may be a particular feature of Japan's Fair Trade. Trading directly with farmers is a domestic form of Fair Trade and this has been in place for long.

Responses from the shops point out that: "We want to apply the concept of Fair Trade not only to trading between developing nations and Japan, but to the solutions for regional gaps and addressing problems that arise from such gaps." "I find it strange to separate domestic and foreign issues." "Fair Trade normally focuses on products made overseas but we do need Fair Trade with Japanese primary commodity producers." "For foods and daily commodities, we want to follow a principle of local production and local consumption as much as we can. In future we hope to develop Fair Trade that supports producers in Japan or in the prefecture." Many are concerned about supporting domestic farmers.

As many pointed out, Fair Trade has a concept of direct trading. That is why some importers refer to Fair Trade as "community trade" and so do many shops. In this regard, Fair Trade is an international version of direct trading. Fair Trade basically is a movement to help farmers help themselves. Coffee, tea, chocolate (cacao), bananas, flowers are produced by farmers. Organic cotton and other textile production need supporting farmers as well. The concept of Fair Trade is consistent with and linked to the movement to support domestic farmers and thus the two can go together. It is also because Fair Trade agricultural products from overseas are complementary to domestic farm products.

One retailer responded that, "Fair Trade has a potential to link local with global networks, bridge various issues and let people share humane lives. We hope to share this possibility with as many people as possible in Japan and in the world so that we can further develop Fair Trade."

(4) Campaigning through loose-knit network

As described earlier, Fair Trade shops and importers also point out the necessity of setting up network organizations. However, considering the small market size, it may be too early to establish an industry organization. Rather, many point out the need for a loose-knit network since Fair Trade has a similar nature with NGO activities.

A loose-knit network is run with dialogue-based agreements as international NGO networks do. Discussion continues until consensus is reached, and no plan will be executed without the agreement.

Responses to the survey suggest that it might be desirable to start networking by getting Fair Trade importers, shops and certifying bodies together to co-organize events and campaigns such as the World Fair Trade Day and to share information.

Notes:

1. Survey method (technical notes)

This survey was conducted and analyzed as below:

(1) Four kinds of survey sheets were used for different types of organizations: 1. importers, 2. shops, 3. certifying bodies, 4. businesses. The table below shows the number of subjects surveyed and their response rates.

(2) Definitions and contents of the survey correspond were taken as much as possible from "Fair Trade 2007: New facts and figures from an ongoing success story "A Report on Fair Trade in 33 consumer countries" by Jean-Marie Krier, A survey on behalf of DAWS - Dutch Association of World Shops, Netherlands, 2008. I'd like to extend my gratitude to Peter van Mersbergen from DAWS who provided details of their survey.

(3) Market size (total retail sales value) was estimated in the following method. Fair Trade products, including raw materials, are generally imported either by importers or by corporations licensed by FLJ. For importers' sales value we calculated by separating their retail and wholesale, and after examining the wholesale value by items we set the markup rate at 60% of the average retail prices, which corresponds to a margin rate of 38.5% against the retail price. The same markup rate was set after careful examination by categories (1. food, 2. crafts, 3. clothes, 4 others) by the Committee on Fair Trade Studies. This markup rate, unlike normal business markup rates, represents the average markup rate of products sold by retailers, from the beginning of the season to final reductions. As for certified products, FLJ estimated the sales value based on their license fee.

(4) For the importers who did not join the survey, their total sales were not estimated. However as we examined suppliers to the retailers, we covered all of the importers which over 25% of the retailers named as their suppliers, and most of the importers that more than two shops named likewise, which should be sufficient to estimate the market size. In addition few shops directly import Fair Trade goods, thus we decided that their share in the Fair Trade market is very limited.

(5) Although some respondents' figures are on a fiscal year (April to March) basis and others on a calendar year (January to December) basis, we simply used the term "year" in all cases for convenience.

Table: Types of survey sheets and response rates

	Sent	Responded	Response rate (%)
1. Importers (Business entities that mainly import Fair Trade goods	43	18	41.9
2. Fairtrade certification body (FLJ: Fairtrade Label Japan)	1	1	
3. Fair Trade Retailers	806	101	12.5
4. Businesses that deal in Fair Trade goods	70	10	14.3

2. Survey members

This survey was organized and conducted by the Committee on Fair Trade Studies, Institute for International

Trade and Investment. The committee's members are as follows:

(1) Importers: Reiko Inoue (PARCIC), Makoto Ueda (Alter Trade Japan: ATJ), Kanji Ushikubo (Nepali Bazaro), Aiko Kanzaki (Shanti Volunteer Association: SVA), Toyoaki Komatsu (Shaplaneer), Hiromitsu Suzuki (Peace Winds Japan), Ryuji Suzuki (Grassroots), Sho Takano (NPO ICAN), Naoko Tanemori (People Tree), Ami Fujioka (Slow Water Café / Sloth Club)
(2) Certifying Organization: Kaori Nakajima (Fairtrade Label Japan: FLJ)
(3) Other: Fumiko Ikegaya (Fair Trade Style), Ko Kitazawa (Fair Trade Resource Center), Tomoko Hoshino (Choco-Revo), Takeshi Tomino (Japan NGO Center for International Cooperation: JANIC)
(4) Researchers: Prof. Tatsuya Watanabe, Department of Economics, Tokyo Keizai University, Prof. Toshihisa Nagasaka, Faculty of International Studies, Takushoku University, also Chairman of the Committee, Kotaro Masuda, Senior Researcher, Institute for International Trade and Investment

In conducting this survey, a working team was organized to prepare a list of subjects to be surveyed, as well as to mail out questionnaires, input and collect data for primary analysis. The collected data was presented to the Committee for further analysis. Individual responses was only disclosed to the working team and not presented to the Committee, and copying or taking the data outside was forbidden. The members of the working team were Prof. Toshihisa Nagasaka, Kotaro Masuda and Sho Takano of the Committee and post-graduate students Tomoko Nomura, Emi Terada and Tomoko Nishino, and Noriko Yamaguchi of Institute for International Trade and Investment.

The statistic analysis of the survey was mainly done by Kotaro Masuda. Prof. Toshihisa Nagasaka was mainly responsible for the preparing the report.

[Translated by People Tree]