

ANNUAL REPORT



2018



PREFACE

2018 was a very dynamic year for Fairtrade Original. This overview of our 2018 activities will elaborate on our rebranding efforts, including the modernisation of our brand image, our (little) name change and the overhaul of our product packaging. These changes serve to differentiate Fairtrade Original from the Fairtrade certification mark and to set it apart as a food brand. At the Dutch Packaging Awards 2018, the new packaging design, developed in cooperation with an external agency, was awarded second place – out of 37 entries in our category.

As a steadily increasing number of franchise stores in Germany added Fairtrade Original to their range, we developed a German version of the new packaging. As of October 2018 180 Real hypermarkets stock Fairtrade Original products and in December the organic chain Alnatura introduced our organic rice and coffee. Especially for our new German customers, a local web shop was opened.

The growth we are envisioning requires a larger supply chain. To ensure a steady supply of ingredients, we have invested heavily in scaling up our existing chains and contracted new farmer groups. Adding organic products to the existing range is costly, time consuming and energy-intensive for both farmers and our own organisation. We have also put a lot of effort into building new supply chains and developing original products from new regions. As I write this preface, these latest additions to our product range are now already available in the Dutch supermarkets.

As was previously projected, the financial results for the year 2018 show a net loss due to the above-mentioned investments.

Growth is the road to greater impact. The investments that we have made this past year will help our organisation grow in the future. We look forward to 2019 with confidence and optimism!

René Bakker
Managing Director



INDEX

MORE ORIGINAL	4
ORIGINAL CHAIN - DEVELOPMENT IN 2018	6
SOLIDIFYING EXISTING ORIGINAL CHAINS	9
A LOOK INSIDE OUR CURRY KITCHEN	12
NEW ORIGINAL CHAIN - MIDDLE EAST / NORTH AFRICA	15
CROSSING BORDERS	18
EVEN MORE ORIGINALS	19
2018 FINANCIAL DETAILS	20
A SNEAKPEEK OF 2019	21



MORE ORIGINAL

You had probably noticed it already: we have a new look! As of April 2018, we sport a refreshed branding style, a new logo and redesigned packaging. These changes have an impact beyond the visual; they help us tell our unique and original story even better – both online and offline. This innovation is a milestone for our team and organisation!

PACKAGING AWARDS

The new packaging design was appreciated by experts at the Dutch Packaging Awards as well: our packaging was nominated in the category Non-Perishables, together with 4 other contestants from a total of 37. The agency that revamped our packaging, PROUD Design, was declared Runner-up during the Awards Ceremony!



The 40 most inspiring organisations in the Netherlands 2018

INSPIRING THE NETHERLANDS

Every year, Consultancy firm Synergie publishes their list of '40 most inspiring organisations in the Netherlands'. In 2018, Fairtrade Original was the highest new entry, settling in at number 6! The accolades don't stop there, as we landed second place in the 'most inspiring organisations for the Millennials' category! In this competition we were up against the likes of Tesla, Tony's Chocolonely, theme park Efteling and Ben & Jerry's. The jury report read: 'Fairtrade Original reinvented itself and went from certification organisation to food brand. The new focus is underlined by a branding overhaul and is perfectly in line with the current spirit of times.'



INNOVA AWARD FOR SAMBAL

There's more hot news: our version of the chilli condiment sambal won the Innova Klassiek 2018 Award! Levensmiddelenkrant, a specialist magazine for the food industry, initiated this unique award to celebrate long-term success and we are very pleased that the smallest of our products was crowned this award. This is one of a very limited number of awards based on the opinions of Dutch supermarket operators and category managers. In 2018, the panel only considered products that were introduced in 2014 and are still available in supermarkets today.

ORIGINAL CHAIN Development in 2018



COFFEE STRAIGHT FROM COLOMBIA

In search of a new partner for our latest Community Coffee, Development Manager Lotje and Manager Operations Mark visited three coffee cooperatives in Colombia. This new coffee, which will be available at Albert Heijn supermarkets in 2019, will contain single origin specialty coffee and blends. Our team looked at quality and flavour, growth potential of the cooperative and the possible positive impact our involvement may have on a sustainable future for the cooperatives' and their surroundings. We chose to enter into a partnership with Red Ecolsierra, based in Colombia's Sierra Nevada. The 380 associated small farmers devotedly grow organic, certified fairtrade certified coffee and pay special attention to our Community Coffee. We buy green coffee beans directly from their cooperative and pay premiums for both Fairtrade and organic crop, as well as an extra Fairtrade Original premium to benefit their enterprise, families and communities. The first harvest was supplied late 2018. Roasting will take place in the Netherlands and the packaged product will be launched at Albert Heijn supermarkets in early 2019.

MEXICAN FLAVOURS

After the successful introduction of our Asian and Arabic product ranges, we feel the time has come to launch a line of authentic Latin American products. To capture the original flavours as best we can and to make the biggest positive impact, we aim to produce our products in the country of origin. After careful deliberation, we decided on Mexico as the starting point of this flavoursome adventure. During an initial fact-finding visit, Lotje and local consultant Vincent scoped out various producers and farmers groups in search of potential supply chain partners. The final selection for the partnerships will be made in 2019, after which development of the Original Chain will commence.



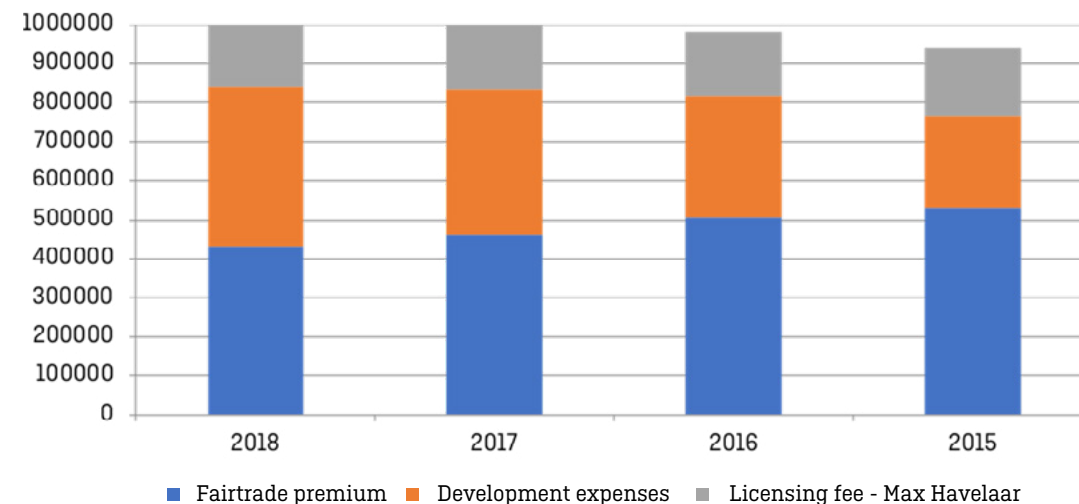
PULSES FROM INDIA

Meanwhile in India, Development Manager Martin is developing a new chain for organic, Fairtrade pulses such as lentils, kidney beans and chickpeas. These staples are a natural complement to many of our products, such as the Middle Eastern spice pastes. India is the world's largest producer of pulses: over 25 percent of global pulse production originates in India. The climate in the lower Himalaya, in northern India, is particularly suitable to the cultivation of these crops. Apart from being versatile and healthy, legumes are a vital part of sustainable agriculture as they fix nitrogen into the soil. Local producer Regal Kitchen Foods, based in Baddhi in Himachal Pradesh, signed up for the development of our pulse venture. Our pulse farmers are located in the district of Jammu and in the area surrounding Khajuraho in Madhya Pradesh. We are expecting to receive the first batch of canned pulses late 2019 or early 2020.



CASSAVA CRACKERS FROM INDONESIA

Asian cooking would not be complete without cassava crackers. We had to abandon our efforts to develop cassava crackers in Thailand because the producer could not meet the Fairtrade Original food safety standards. Without delay, we continued our search for a reliable supply chain partner. Development Manager Martin turned to the birthplace of cassava crackers: Indonesia. He managed to find a reliable producer and together we are building a Fairtrade chain that leads from cassava farmers to cassava chips to crispy crackers. We are expecting our first batch of Fairtrade cassava crackers in 2020.



EXPENDITURE ON FAIRTRADE DEVELOPMENT

	2018	2017	2016	2015
Fairtrade premium	432.993	459.057	507.459	531.000
Development expenses	409.735	374.318	309.872	234.627
Licensing fee - Max Havelaar	177.027	178.908	165.538	174.768
Expenditure Fairtrade development	1.019.755	1.012.283	982.869	940.395
in % of turnover	6,7%	6,4%	6,8%	6,4%

SOLIDIFYING EXISTING ORIGINAL CHAINS

RICE THAT NEEDS TO REST

Sales of our rice noodles are steadily increasing in the Netherlands. Especially for the German market, we have developed organic rice noodles within the existing production chain in Thailand. Eighty of the 561 farmers in de NamOm cooperative are growing the rice that forms the basis of our rice noodles: the extra-long-grain variety 'Chainat'. After harvesting, this rice needs to rest for four months before it can be turned into noodles. For a growth product such as our rice noodles, this poses an extra planning challenge. We are looking to add a second organic and Fairtrade farmers group to this supply chain so that we can accommodate the growing demand for the end product as well as the fluctuating yields of NamOm.





CHALLENGING TIMES IN INDONESIA

There is no lack of motivation in the new supply chain on Java, Indonesia, where the Koperasi Agro Bumbu Qtha farmers and the producer in Surabaya are all committed to producing 100 percent organic and Fairtrade spice pastes or bumbu. In 2017, the whole chain passed the certification checks, but unfortunately, the first batch of bumbu was rejected. It was an immense disappointment for everyone involved that this initial production run did not meet the quality requirements. Subsequent research led to improvement plans for 2019, such as enhanced guidance and supervision of the Internal Control System team in the form of local consultant Fauzi Kuswanto.



JACKFRUIT

As a brand that is continually looking for ways to stay ahead of the curve, we keep a close eye on food trends. That is why we established a Fairtrade chain for young green jackfruit in 2018. The flesh of the young fruit is similar in structure and bite to animal meat, making it a novel gastronomic meat alternative. Approximately half of the 47 members of the Fairtrade Pineapple Farmer Group in Thailand have added jackfruit to their already existing crops of mango and pineapple. A speedy procedural process ensured that farmers and producers can now sell this crop as certified Fairtrade. Adding jackfruit to their range of crops not only provides extra income for the individual farmers; the group as a whole also receives a premium for it being Fairtrade. We have also started efforts to produce organic Fairtrade jackfruit.

FOOD SAFETY FIRST!

Fairtrade Original requires its suppliers of end products to have a GFSI (Global Food Safety Initiative) system in place. This means they need to be BRC, IFS or FSSC22000 certified, which is by no means an easy feat. In hopes of ticking all GFSI boxes in 2019, we are offering extra support and guidance to those producers in Sri Lanka and India who have yet to meet our standards.



KEEP RECORDS UP-TO-DATE

Where necessary, we offer support to our end producers and farmers in their quest to meet Fairtrade requirements. One particular point of interest — a difficult one even for experienced parties — is keeping documentation up-to-date. By monitoring the whole supply chain, Fairtrade Original stays well informed and prepared for eventualities.



SUPER HOT
 For our range of spicy pastes, we use large, relatively mild, chillies called Prik Jai. Thai farmers are more used to growing the 'super-hot' variety Prik Lek, but this type of chilli is too spicy for our European taste buds. As we opted for a milder variety, Food Tech Solutions farmers have to learn to grow this crop and adjust their practices accordingly.

HAVE A LOOK INSIDE OUR CURRY KITCHEN

Your yellow, green or red Thai curry travels a long way from our farmers and partners to your table. The whole production process of these curries takes place in Thailand, from growing the ingredients to preparing the spice paste to packaging the end product. Our spice farmers in Sisaket, in the north-east of the country, are experts in growing galangal and lemongrass. The skills of women like Khun Orapin and Khun Orachan are unmatched when it comes to farming chilli peppers and galangal. After harvesting, the ingredients are transported to the processing plant near Bangkok where our Thai partner KRS Spicy Food creates the spice pastes that form the basis of your Asian home cooking.

FAIRTRADE AND ORGANIC
 Thai curry is a hot item in the Netherlands! It is the best-selling product in our Thai product range. Fairtrade products become more successful internationally if they are not only Fairtrade, but organic as well. In Germany for example, 75 percent of Fairtrade products are EU certified organic. As we are striving to enlarge our market share in Europe, we are trying hard to obtain this double certification for our existing chains as well as the new ones.

KRS Spicy Food and the Sisaket Fairtrade Farmer Group are longstanding Fairtrade Original partners. From the 38 farmers in the group, 3 have obtained organic certification in 2018 and 9 others are hoping to do so in 2019. Fairtrade Original helps farmers dealing with the intricacies of Fairtrade and organic certification procedures by calling on experienced local consultants such as Kookie. The Internal Control System (ICS) team plays a crucial role in this process: they evaluate and monitor organic farmers before they are subjected to external audits. The farmers themselves are embracing their development track and have even set up a learning centre to educate and train other farmers. This initiative ties in well with our efforts to help farmers mobilize

their potential and carve out a bigger piece of the world market pie for themselves.

WANTED: MORE FARMERS
 We expect sales to increase upon the introduction of products with a double certification and the Sisaket Fairtrade Farmer Group does not have the production capacity to meet future volume demands. Two more farmers groups are lined up to supply KRS Spicy Food with the necessary ingredients: Food Tech Solutions and Raitong Organics. The former of these already counts 396 organically certified rice farmers among its 526 Fairtrade certified members. Fifty of these are willing to diversify their crops by adding vegetables, herbs and spices. The farmers in this group have the advantage that they are doubly certified already and know their way around organic and Fairtrade agriculture. The biggest challenge is faced by the 27 farmers who will grow organic large chillies (prik yai). To help them, Sisaket farmers are sharing their personal experiences with them. What better way is there to learn?



HOT HOT HOT



In the other group of experienced organic rice farmers, Raitong Organics, roughly 30 of the 70 members will plant vegetables, herbs and spices in addition to rice. Fairtrade is a new practice for this group and they will receive training and advice relating to relevant regulation and procedures. Due to the novelty of this process and the subsequent learning curve, we do not expect the Raitong Organics supply chain to be up and running before 2020.

GOLDEN FLY

Large red chillies are very attractive to many insects – with devastating effects for the crop. The local Golden Fly, for instance, bores into the chilli pepper and deposit their eggs inside the fruit. After emerging from their eggs, the maggots feed on the core and walls of the chilli, destroying it from the inside out. It is difficult to fight these pests organically, without pesticides. One of the most effective ways, implemented by the Sisaket farmers, is growing the plants in greenhouses. Fairtrade Original contributes to the funding of more greenhouses to give other farmers the opportunity to follow the Sisaket example.

MORE CURRY

KRS Spicy Food and its suppliers need more time to reach the volume of Fairtrade and organic ingredients necessary to unlock our organisation's full market potential. We are scoping out (organic) food trade fairs in search of new partners and are on the lookout for experienced producers as well as organic, small-scale farmers who would like to make the switch from Thai Organic to EU Organic certification.



NEW ORIGINAL CHAIN Middle East North African

It took us a few years, but we have settled in nicely in the Asian food section in Dutch supermarkets with our green, yellow and red Thai curries and Sri Lankan Korma and Tandoori. There are yet many wonderful cuisines yet to discover and we are eagerly investigating the possibilities of working with new flavours, fascinating ingredients and enthusiastic farmers. It is high time for another road trip to find recipes and partners for another Original Chain!





SCOUTING

There is no better place to start such discoveries than in the region of thousand and one flavours. Development Manager Lotje came across warm-and-spicy notes as well as fresh-and-tangy ones during her trip to the Middle East and North Africa. During 'trend workshops' we explore these contrasts in Middle Eastern cuisine, trying to match flavour combinations with the Dutch palate and making a preliminary selection of ideas to pursue. We do not only look for the best recipes, but also for the most impactful ones. It is important to source the ingredients for our end products from small-scale producers in countries where we can make a difference.

BUILDING NEW CHAINS TOGETHER

Together with regional Fairtrade experts Chiraz and Hakima, Lotje visited two countries where she met with potential partners and producers for the next Original Chain. In her week-long trip, she visited several farmers' cooperatives; made an inventory of their range of vegetables, herbs and spices; verified their Fairtrade and organic status and investigated their growth potential. In the meantime, we are also looking for processing partners to transform the fresh ingredients into tasty end products.

FLAVOURS

The questions we ask ourselves during these fact-finding trips are: Which herbs and spices are commonly used? What are some of the classic flavour combinations? What are the iconic dishes of the region? We get our inspiration from eating at people's homes, trying street food and going to restaurants. We then distil our own recipes from all these authentic food experiences. MOROCCO

MOROCCO

After careful deliberation, we decided on Morocco as the location for the new Original Chain of Arabic spice pastes. While both large and small-scale (Fairtrade) farming exists in Morocco, many of the smaller operations focus on a single crop. Individual production of argan oil, olive oil or saffron is very different from cooperative farming of vegetables, fruit, herbs and spices. The latter is rare in Morocco, but we are happy to say that we have found an organisation that is willing to take on the challenge. Fermes Bio Sehouf, a small group of vegetable and spice farmers in Sehouf in the north-west of the country, will supply fresh ingredients for our spice pastes.

FAIRTRADE & ORGANIC

Fermes Bio Sehouf was established to put organic farming on the map in north-west Morocco. Up until now, passionate farmers grew fruit and vegetables on small parcels of land and sold their crops at local markets. Entering a partnership with Fairtrade Original will see their produce be used on an international scale. The only condition we place on using their ingredients in our spice pastes is that the group obtains Fairtrade certification. Our local consultant Hakima and the producers are working hard to implement Fairtrade standards and hope to pass the Fairtrade audit in January. The operation is already based on organic farming principles—meaning no pesticides or chemical herbicides are used—but the cooperative is not yet officially certified. We are offering the help and support for that particular certification as well: targeted training in organic farming processes starts soon.

CHALLENGES

The ingredients produced by Fermes Bio Sehouf will form the basis of seven different spice pastes, to be processed in Casablanca. Quite a few hurdles needed to be cleared before production could start: the processing plant had to obtain food safety and Fairtrade certification, suppliers for additional ingredients had to be contracted and a dedicated machine for filling the spice paste pouches had to be found—while deadlines loomed. All these challenges have been overcome by a combined great effort of the teams in Morocco and the Netherlands and we are eagerly awaiting the launch of the product line. We want to show the world how tasty Arabic cuisine is and how simple it is to prepare these flavoursome dishes at home!





CROSSING BORDERS

FROM FOUNDATION TO LTD

In 2018, we have spread our wings beyond the Netherlands and Belgium: our products have landed on the shelves of German supermarkets as well. This international move has whetted our appetite for more. As most European retailers generally do not enter into business agreements with foundations, the commercial activities have been separated from the foundation as of 1 October 2018. The new commercial division will operate as a private limited company under the name Fairtrade Original B.V.

These changes to the legal structure make it easier for us to do business internationally and to potentially establish daughter companies and/or joint ventures outside of the Netherlands. The latter could, for example, take the form of partnerships with farmers cooperatives or other local chain partners. Cooperation by means of a joint venture offers greater advantages in terms of sharing or dividing the added value between the various partners in the chain.

In no way do the above-mentioned legal changes change the character of the organisation. The objective of our social enterprise activities is to positively impact the socio-economic status of all our partners. The foundation's ambitions stay the same; they are simply fulfilled through a private company of which the foundation holds the shares. We have merely given the wrapping of our original principles a makeover.

GERMANY: FROM A HANDFUL OF STORES TO WIDESPREAD DISTRIBUTION

The move to enter the German market was a significant one for Fairtrade Original as well as for our chain partners. The growth rate could not be gauged in advance, so a decision was made to start slowly. We would gain speed and conquer the market at a faster pace once all the products were available in German supermarkets.

When Mr Rahmati opened a new REWE supermarket in Cologne, Germany, on 12 January 2018, he helped us by offering shelf space for our products. This pilot was a success and as a result distribution of our products grew to include additional REWE stores and other larger clients.

As we signed up more and more individual stores wanting to stock our brand, other interested parties emerged as well. Our world kitchen product range is a relatively novel phenomenon on the German market and we are able to ride the wave of growing interest for sustainable Asian foodstuffs. In the last months of the year, Real supermarkets and organic supermarket chain Alnatura also came on board. Our goal for 2019 is to widen the scope of our product distribution and conquer the hearts of German consumers.

EVEN MORE ORIGINALS

VIDJAI JHARAP, COMMERCIAL DIRECTOR



I was born in Surinam (South America) and grew up in the Netherlands. With this background I've inherited a broad and rich taste of different kitchens, like Indonesian, Indian, Chinese, African and of course Dutch. Prior to Fairtrade Original I worked for long periods at the companies Hero/ Schwartau Group (confitures, cereal bars, softdrinks and chilled juices), Chiquita (the worldwide nr 1 brand in banana's) and Padifood (authentic Asian chilled convenience meals). The last years also covering a European sales & marketing approach. With Fairtrade Original as a unique brand and inspiring mission, my goal together with the energizing team, is to expand volumes in our home market The Netherlands by attracting more loyal Fairtrade Original consumers and introducing innovate concepts, linked to (new) consumer demands. Next to this we want to leverage our export plan by also building a sustainable position in the German market and start up other interesting markets in the coming years, like Austria, Belgium and France. So a lot of work to do, but all step by step.

JOHN HOGENES, ICT FUNCTIONAL MANAGEMENT

I have worked in ICT since 1987 and since then, I have followed many courses and held a host of different positions — from junior programmer to ICT Manager. As of December 2018, I work at Fairtrade Original as Functional Manager for three days per week. In this position, I oversee office automation and the ICT department. I also spend one day per week at the Institute for Asbestos Victims, as ICT specialist as well as Privacy Officer. My life outside of the office is quite hectic; I have five wonderful children (ranging from 3-27 years old), I play football and I enjoy putting on my grillmeister-hat and having backyard barbecues. None of this is directly related to Fairtrade, but — just like Fairtrade Original — I pay close attention to the quality and provenance of the ingredients that I buy. My favourite dish is Tunisian Shakshuka!



BERBER GALEMA, CREATIVE

In early 2018, I started out as independent Creative at Fairtrade Original, but got a permanent position in the Marketing and Communications department at a later stage. I used to have my own business and developed food concepts such as a cheese-making kit and a life-size board game that made people think about the future of our food system. Thankfully, the aspects of my work that I enjoyed back then — such as storytelling, the variety of projects and making people aware of certain issues — also form part of my work at Fairtrade Original. This brand is all about wonderful stories and I do my best to translate these into clear, attractive and striking images and concepts.



2018 FINANCIAL DETAILS



BALANCE SHEET FAIRTRADE ORIGINAL B.V. AS AT 31 DECEMBER 2018 (After profit appropriation)

EUR	2018	2017		
Fixed assets (property, plant and equipment)				
Intangible fixed assets	385.144	285.067		
Tangible fixed assets	81.252	89.345	91%	8.093
Financial fixed assets	107.269	67.447		
	573.665	441.859	130%	131.806-
Current assets				
Inventory	2.814.735	2.141.128	131%	673.607-
Trade receivables	2.756.687	3.395.516	81%	638.829
Advance financing of trade partners	89.395	129.628	69%	40.233
Other receivables and prepayments and accrued income	184.974	253.105	73%	68.131
Cash and cash equivalents	253.114	59.767	424%	193.347-
	6.098.905	5.979.144		
TOTAL	6.672.570	6.421.003	104%	251.567-
Equity				
Reserves	2.270.810	2.779.283	82%	508.473-
Provisions	10.050	165.106	6%	155.056-
Long-term liabilities				
Interest-free loan	982.434	982.434	100%	-
Current liabilities				
Trade payables	852.350	1.162.092	73%	309.742-
Stichting Fair Trade Assistance current account	1.551.214	635.556		
Taxes and social security contributions	161.439	130.926	123%	30.513
Other debts and accrued liabilities	844.273	565.606	149%	278.667
	3.409.276	2.494.180	137%	915.096
TOTAAL	6.672.570	6.421.003	104%	251.567



We have made great strides in the development of our coffee chain in the form of Community Coffee

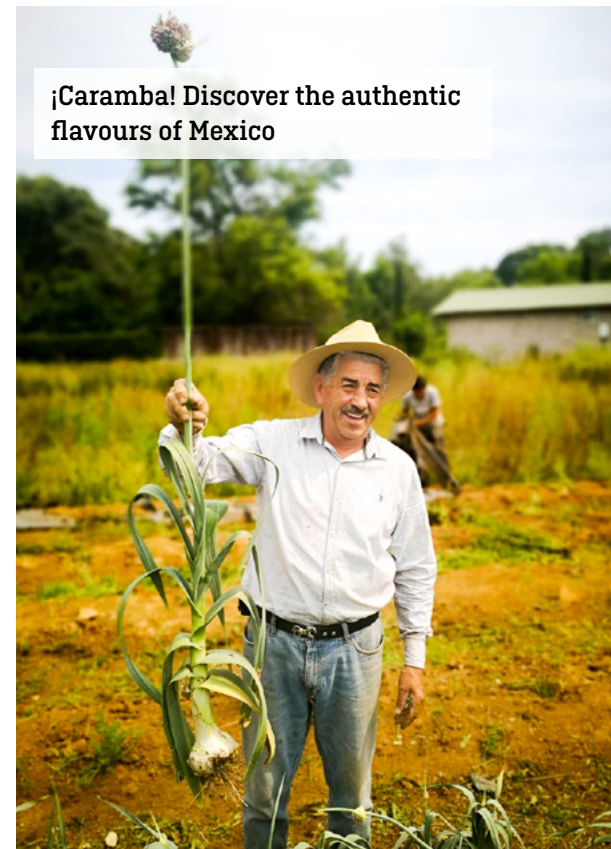


We will introduce new flavours from the Middle East

A SNEAKPEEK OF 2019

FAIRTRADE ORIGINAL B.V. 2018 INCOME STATEMENT

EUR	2018	2017		% van omzet
Operating income				
Net revenue	15.125.104	15.747.297	100,0%	100,0%
Other operating income	73.529	121.167		
	15.198.633	15.868.464	100,5%	100,8%
Operating expenses				
Costs of raw materials and consumables	10.901.577	11.812.514	72,1%	75,0%
Personnel costs	2.093.843	1.859.527	13,8%	11,8%
Depreciation and amortization	190.869	34.441	1,3%	0,2%
Selling costs	1.851.399	1.611.259	12,2%	10,2%
Accommodation costs	118.552	99.792	0,8%	0,6%
General expenses	585.112	475.813	3,9%	3,0%
	15.741.352	15.893.346	104,1%	100,9%
Operating income from ordinary activities	(542.719)	(24.882)	-3,6%	-0,2%
Financial income and expenditure	(5.545)	(27.359)		
Operating income before taxes	(548.264)	(52.241)		
Taxes	39.791	61.670		
Income after tax	(508.473)	9.429	-3,4%	0,1%



¡Caramba! Discover the authentic flavours of Mexico



We will kick off the year with great green news from Thailand: Jackfruit!



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