CASE STUDY SERIES

FAIR TRADE: A WHOLESUM STORY

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**MAKING SUSTAINABILITY ACTIONABLE**

SFTA’s mission is to help the organic food industry transition to truly sustainable business models. To reduce confusion and create a clear road map to this goal, SFTA has developed a systems-based sustainability reporting framework. Companies can use this framework to begin measuring—and hence improving— their sustainability performance. The framework consists of 11 clear Action Areas that reference actionable best practices and help integrate sustainability into a company’s fabric.

The Case Study Series highlights some of the programs and initiatives that have brought these Action Areas to life. They highlight SFTA members who have implemented real—and sometimes highly innovative—solutions to improve their social and environmental impacts. Enjoy reading about how it was done and the impacts attained.

*For questions or to submit a case study idea, please email info@sustainablefoodtrade.org.*

**TODAY’S ACTION AREA: SOURCING & SUPPLY CHAIN**

SFTA members have an enormous opportunity to magnify their sustainable impacts through their supply chain partners. This includes education and engagement around issues like reducing waste, optimizing packaging, and reducing emissions associated with the products traded between partners. Efforts in these areas can be leveraged between farms, co-packers, packaging, distribution partners, retailers, and more.

Given the frequent procurement of food ingredients from across the world, one SFTA action area in particular stands out: Sourcing. The Sourcing action area has a heavy influence on measuring and improving the social/worker indicators for farmers—particularly in the developing world. Why? Frequently, hired farm workers, or the owners of small plots of land that produce critical food for the world barely make enough money to survive or recover their production costs, and/or they work in conditions that are dangerous to their health. As such, paying attention to worker rights in the supply chain is critical to a sustainable bottom line.

SFTA members emphasize supply chain rights in their businesses. As of this writing, 58% of SFTA members that submit to annual sustainability reporting have a formal Code of Conduct policy or contract that specifically holds their suppliers, distributors, or retailers accountable for social and environmental performance. 78% of these members screen significant suppliers for responsible practices (i.e. organic, fair trade) beyond what is required by regulation (i.e. food safety), and 84% of reporting members offer fair trade certified products in their offerings.

One of these members – Wholesum Harvest – has seen incredible results with their fair trade program. Read on to find out about why and how the decision to implement a Fair Trade program was made, and the impressive results to date. →
WHOLESUM’S FAIR TRADE FOR ALL

ABOUT WHOLESUM HARVEST

Wholesum Harvest (WH) has been dedicated to organic produce production for more than 60 years. Its humble beginnings began in Sinaloa, Mexico, where Miguel Crisantes Gatzionis began farming in 1930. His son, Theojary, later took over farming operations, became an organic trailblazer, and set the farm towards its incarnation as Wholesum Harvest.

Headquartered in Amado, Arizona, WH displays an international dedication to organic practices through its farm locations in both Arizona and Mexico. Their crops focus on the finest organic tomatoes, cucumbers, squash, bell peppers, and eggplants.

This dedication to environmental responsibility was just the beginning of its sustainable business practices. Since its inception, WH has also shown its social commitment through worker benefit programs. Employees and fair trade (FT) supplier farms in Mexico have guaranteed access to child care, medical care, and pharmacy services at no cost. These practices were further cemented when WH began its FT journey in 2012. Some of the results-to-date from this program include:

SUCCESS AT-A-GLANCE: WHOLESUM’S FAIR TRADE PROGRAM COMMUNITY INVESTMENTS

✓ Living wages paid to all farm workers after five years of efforts
✓ Invasive plant species removed from farms and re-planted with native species and pollinator plants to attract bees, bats and other pollinators
✓ Over $2.5 million in Fair Trade funds directed to the communities between 2013-2017! Projects and programs they have funded include:
  o Zero-interest home, land and home-improvement loans for workers
  o A park that now holds social events and a soccer field that holds matches attracting families and friends from neighboring villages
  o A tortilleria and supermarket with lower prices than local competitors
  o Four buses to provide transportation for school, workers, groceries and soccer matches
  o 21 non-farm jobs created to support these and other programs

Over $2.5 million in Fair Trade (FT) funds raised is no small feat! The path to accomplishing these results took time, focus, and a marshalling and commitment to focused resources. But WH knew that going FT was the right thing to do — and forged ahead. Read on to find out more. →
THE FAIR TRADE PROMISE

In 2011, there was no formal fair trade program at WH. However, the Crisantes family realized that an opportunity existed for them to blend two goals—to grow their sales in the marketplace, and organic produce, as well as benefit their partner farms in Mexico. This showed a growth curve in fair trade and organic produce sold. This is because the fair trade program they were considering—through Fair Trade USA—contained two key components: the Agriculture Production Standards and Premiums.

Agriculture Production Standard: While there are a variety of standards in this FT program, the existence (and proof of) fundamental worker rights, as well as proper wages and working conditions, are of primary importance. These standards include clauses regarding:

- No forced, bonded or compulsory labor
- No child labor & protections for young workers
- Freedom of association and the right to collective bargaining
- Protect against discrimination or abuse
- Safe work environment
- Fair wages & benefits
- Reasonable work hours
- System to air grievances and communicate concerns

Community Development Premiums (CDP) and Community Development Funds (CDF): The product (in this case tomatoes, eggplants etc.) has an added premium that averages 70 cents per case, depending on the product that is sold. This CDP is then transferred into the CDF, for the farmers who grow and harvest the produce to manage based on their necessities. These funds are under the control of the community of farm workers and managed by a democratically elected committee of workers. The farm workers are then free to choose which purpose(s) the account funds will be applied. Following the needs assessment, they vote on the types of projects that will increase the quality of life for the community, these are most often related to infrastructure, education, health, or other critical services.

Wholesum sees themselves as part of a virtuous sourcing chain—they pay fair wages, but fair trade builds communities. For Wholesum, fair trade is a shared responsibility between producers, wholesalers, retailers and consumers.

You can read more about the various ways in which these funds are utilized in other FT business models here.

MAKING THE BUSINESS CASE

Prior to reaching out to suppliers, WH did a business analysis. Initial figures showed that FT certification could obtain a higher market price, plus provide Community Development Funds for workers at the supplier farms. An employee would need to be hired to run the program—which represented roughly a 5% increase in WH’s total labor cost. This meant that WH would have to
sell at least 77,000 boxes of FT produce to cover this new cost. A sensitivity analysis indicated that roughly 20% of total boxes of produce sold to three key customers would have to be through their FT program to meet this minimum goal. WH, determined to further benefit their farming communities, committed to achieving this goal in one year to prove that it could be done.

**Building Blocks**

WH contacted their two key partner farms in Mexico to discuss the possibility of building a fair trade program. WH explained that the FT certification would bring in funds for the farmers and higher sales for WH. They agreed to work in the Fair Trade model with WH and take the leap, given the potential increase of income and quality of life (via the CDF) for its workers. WH’s partner farms in Mexico set up committees that oversee the investment of FT funds. These committees are democratically elected and represent the demographics of the farm workers.

As the first year of the FT program passed, it became clear that the program would be a success. WH was on-track to meet and exceed the 77,000 cases needed to make up for the FT investment, and all indicators were that these sales were going to continue to grow. This fledgling program was now ready to begin making long-term investments.

**Hitting Improvement Milestones**

**Living Wages**

In order to comply with the standards of the FT program, partner farms in Mexico set the goal of ensuring that a living wage was being paid to its workers. The process followed included:

- **Year 1-2, Compliance:** Ensure all federal minimum wage requirements were being met by the company.
- **Year 3-5, Analysis:** The farms studied if a living wage was being paid to its workers. This process included examining average cost of food, rent, education and health needs for a worker and the average worker family size.
- **Year 6, Fair Wages for All:** The company met the milestone of ensuring that wages for their workers were able to meet these financial demands.

**Invasive Species**

Another goal that was set by the program was a focus on invasive species. This had increasingly become a concern in the area as buffel grass caused production issues related to yields and product quality. This goal is also a good example of the more qualitative aspects of fair trade—to ensure that the workforce is continuously educated in ways that will benefit them personally as well as professionally. This multi-year process included:

- **Year 1-2, Education:** Workers were taught—and able to—identify invasive species of plants.
- **Year 3-5, Biodiversity Plan:** A biodiversity plan was developed by the workers to remove these types of invasive species, and replace them with native plants that would increase biodiversity, providing shelter for native animals, improving soil health around the farm, and decreasing erosion.

- **Year 6, Enhanced Biodiversity:** By the sixth year, the farm had removed invasive species and reestablished native plants and wildlife habitat around the fields. This not only helps to increase the health of the environment but also prevents soil erosion, water retention, and of course, increases shaded areas for workers to rest under after a hard day’s work!

**COMMUNITY INVESTMENT PROJECTS**

Community Development Funds grew along with the increased sales of FT products. In 2013, they saw over $327,000 placed into the community account. By 2017, nearly $900,000 was deposited in that year alone. In all, between 2013 and 2017, nearly $2.5 million have been given back to the community! These funds initiated several community improvement projects:

![CDF Growth Chart](image)

**Los Janos Community Center:** The community of Los Janos wanted to create a community space where they could learn computer skills, study, or congregate for games and social activities. After debate, Los Janos Community Center was born. The Center boasts a dozen computers, a library, and a common area for people to congregate. Here, informational technology courses are provided, and a person is always there to help children with their homework.

**School Lunches in Los Janos:** A healthy lunch, breakfast and
snacks are provided to children in kindergarten and elementary school. Parents dropping off their children know their children will get a healthy meal and then go to school. Cooks were trained by a certified nutritionist to ensure children are fed a healthy and nutritious meal. This project created four jobs, and meals are served to 316 children Monday through Friday during the school year.

*Health Insurance in Amado:* Fair trade was implemented in Amado in 2016, and in 2017, they voted on and approved the community’s first project—a health insurance premium subsidy. WH itself covers 60% of health insurance fees for those workers who choose to have it. The CDF covers 20% more of the total premium, leaving the workers responsible to cover only 20% of the total insurance premium. The program was approved in September 2017, when only 4 employees had insurance, as of February 2018, 81% of the workers are covered by insurance.

*Scholarship Program:* A scholarship program was approved by the workers both in Los Janos and in Culiacan. These two unique farms are similar in many ways. Workers, their children, and their close relatives who meet minimum academic performance requirements, are eligible to apply for these scholarships. The scholarships help cover preschool through college tuition, and English classes. In 2018, scholarships were received by 387 students in Los Janos, and 345 in Culiacan. The application process is opened every six months, and requires proof of enrollment, a grade book, a family socioeconomic study, and a letter of intent regarding their academic responsibilities and obligations. After they have been accepted, students receive either vouchers or checks to help them with basic necessities such as books, uniforms, school tuition, etc.

*Laundry Facility:* Most workers in the Culiacan farm are migrant workers, and do not own appliances such as refrigerators or washing machines. The farming community that they would benefit from a laundry facility, to help lessen the heavy day-to-day burden of household chores. After discussion, WH agreed to provide a building for this laundromat, and pay for installation of electricity, water, and utilities. The Community Development Funds bought the washing machines, and fund two attendant positions. Today, workers leave their basket full of clothing to be washed every day by the door of the laundromat, relieving them from this additional heavy work. In fact, the operators wash an average of 40 loads per day!
THE RESULTS

Fair trade has served as a bridge between Wholesum’s goals — fairly traded tomatoes — and those of the farm workers — harvesting quality tomatoes that will grow their development funds, and build their community and well-being. In addition to the programs and results already cited, there are several overarching quantitative and qualitative results which indicate good years to come for these partners:

✓ **Fair Trade Sales Growth:** Over time, FT sales have been more consistent and buyers are more loyal—Sales have grown from 18% in 2013 to 51% in 2017.

✓ **Product Line Growth:** Initially, 10 FT labeled products were offered in 2013. The label has expanded to 8 other products – 18 in total!

✓ **Increased Worker Retention:** Attracting and retaining workers has become an easier task since the implementation of FT worker benefits. In fact, at the Imuris, MX, farm, there is now a waiting list to become a worker!

✓ **Increased Product Quality:** As field workers begin to recognize the power of the FT label and understand that the product will ultimately benefit them, product quality and specification compliance has improved.

✓ **Supplier Trust and Loyalty:** Although challenging, Wholesum’s FT certification built a strong level of trust between Wholesum and its supplier farms. As the farms see alignment between their values take shape through financial and social practices, trust and loyalty between buyer and supplier has strengthened significantly.