



FAIRTRADE LABELLING ORGANIZATIONS INTERNATIONAL

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# FAIRTRADE STANDARDS

FOR

**Tea**

FOR

**Hired Labour**

**Current version: 19.12.2007**

**Superseded previous versions:**

**19.11.2007**

**Period for stakeholders' comments and enquiries on this new version:**

**Not applicable**

**Contact for comments:**

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**For further information and standards downloads:**

**[www.fairtrade.net/standards.html](http://www.fairtrade.net/standards.html)**

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<b>PART A Generic Fairtrade Standards for Hired Labour</b>
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Refer to the generic standard for Hired Labour as a separate document as updated by FLO on its website. Note that the following parts B and C are only applicable in connection with the generic standard.

<b>PART B Product Specific Standards for Tea</b>	<b>3</b>
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The product specific standards for tea apply to the following types of tea:

- Tea from the *Camellia* plant
- Herbal teas (Rooibos, Camomile, Mint, Hibiscus)

<b>1</b>	<b>Social Development</b>	<b>3</b>
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## **PART B Product Specific Standards for Tea**

The product specific standards for tea apply to the following types of tea:

- Tea from the *Camellia* plant
- Herbal teas (Rooibos, Camomile, Mint, Hibiscus)

### **1 Social Development**

There are no additional social standards specific to tea producers.

### **2 Economic Development**

#### **Fairtrade Premium**

- 2.1 For tea from the *Camellia* plant the Fairtrade Premium shall be used according to the conditions set out in the Generic Fairtrade Standards for Hired Labour and in Part C Paragraph 5.8 below.
- 2.1.1 An exception to 2.1 is made in the case of Darjeeling where basic needs for workers (e.g. housing, water, and sanitation) may be partly financed through the Fairtrade Premium. This is due to the critical economic situation in the Darjeeling region.
- 2.1.2 The use of Fairtrade Premium money for state and company obligations in Darjeeling must conform to the following guidelines:
- Infrastructure projects of benefit to both the plantation management and the workers' community may be approved by FLO if it can be demonstrated to FLO's complete satisfaction that this has the clear approval of the workers.
  - For such projects Premium money may be used if the company provides at least 50% of the total costs from their own resources as matching funds.
  - In cases where the company lacks immediate capital for such investments, the Joint Body may make a loan to the company to cover the company's 50% investment which is to be reimbursed over a period stipulated by the JB at an interest rate which covers at least the rate of inflation over the defined period.

This exception constitutes a provisional situation until a minimum price mechanism for tea from Darjeeling is in place.

### **3 Environmental Development**

There are no additional environmental standards specific to tea producers.

## **PART C Trade Standards for Tea**

### **1 Product Description**

Fairtrade tea is tea and products derived from tea which has been produced, traded, processed and marketed according to the standards and contracts laid down by Fairtrade Labelling Organizations International e.V (FLO).

### **2 International Customary Conditions**

All international customary conditions apply unless overruled by any of the special FLO conditions as specified in the FLO standards.

### **3 Long Term and Stable Trading Relationship**

- 3.1 All teas to be sold with the Fairtrade label must be purchased as directly as possible from producers certified as Fairtrade by FLO.
- 3.2 Buyers and importers will make efforts to establish long-term stable trade relationships with producers in which the rights and interests of both parties are respected.
- 3.3 To this end, buyers and importers must develop a Quarterly Sourcing Plan specifying the volumes expected to be bought from each Fairtrade producer.
- 3.4 For tea from the *Camellia* plant:

Where Fairtrade tea is sold through auctions, such sales shall be subject to conditions supporting greater transparency, better communication and faster payment of the Fairtrade Premium and Fairtrade Minimum Price where this applies.

This will be achieved through the application of the following conditions from 1 February 2008:

- The buyer communicates to the producer their intention to buy at auction using a Quarterly Sourcing Plan.
- Within one week of the auction the buyer reports comprehensive information relating to the sale to the producer, including an indication of all outstanding Fairtrade-related payments.
- All outstanding Fairtrade-related payments must be made on a regular quarterly basis.

- 3.5 For tea from the *Camellia* plant:

From 1 January 2009, all purchases of tea to be sold with the Fairtrade label must be declared as Fairtrade at the time of purchase. Between 1 February 2008-31 December 2008, purchases of tea to be sold with the Fairtrade label may be declared as Fairtrade after the time of purchase but this will be subject to prior acceptance by the Certifier, and where conditions set by the Certifier supporting transparency and timely payment for producers are met.

### **4 Prefinancing / Credit**

On request of the seller, the buyer shall make available up to 60 % of the minimum value of the contract in credit facilities in favour of the seller upon the signing of a Letter of Intent, or at any date thereafter at the wishes of the seller, however at least six weeks prior to shipment. The corresponding interest charges shall be covered by the seller at current commercial interest rates (or better) in the country of destination.

Payment and reimbursement of the loan as well as the interest rates shall be according to the terms and conditions mutually agreed upon in the separate credit contract.

## 5 Pricing and Premium

- 5.1 Buyers shall pay the producer at least the Fairtrade Minimum Price as set by FLO. The Fairtrade Minimum Price for a product, where it exists, is the lowest possible price that the Fairtrade buyer must pay to the producer and is the lowest possible starting point for price negotiations between producer and buyer.
- 5.2 When the relevant market price (where it exists) or the negotiated price for a product is higher than the Fairtrade Minimum Price, then this higher price must be paid.
- 5.3 For teas where there is no Fairtrade Minimum Price, the negotiated price or market price (where it exists) shall apply.
- 5.4 For tea from the *Camellia* plant the Fairtrade Minimum Prices are listed in the following table:

<b>For all origins, the Fairtrade Minimum Prices for tea apply only to the following teas:</b>					
<b>➤ Conventional teas made using the CTC production method</b>					
<b>➤ Conventional teas classed as ‘fannings’ or ‘dust’ and made using the orthodox method</b>					
Product -Organic or Conventional-	Origin	Currency/ Unit	Minimum Prices		Validity
			Auction	FOB	
Conventional tea	Eastern Africa (except Malawi and Rwanda)	USD/kg	1.40	1.50	From 01.02.08
Conventional tea	Malawi	USD/kg	0.95 (Malawi domestic auction)	1.20	From 01.02.08
Conventional tea	Rwanda	USD/kg	1.70	1.70	From 01.02.08
Conventional tea	Africa – (except Eastern Africa)	USD/kg	1.20	1.20	From 01.02.08
Conventional tea	North India*	USD/kg	2.00	2.00	From 01.02.08
Conventional tea	South India * (except Nilgiri)	USD/kg	1.40	1.40	From 01.02.08

Conventional tea	India – Nilgiri*	USD/kg	1.75	1.75	From 01.02.08
Conventional tea	Sri Lanka	USD/kg	2.00	2.00	From 01.02.08
Conventional tea	China	USD/kg	1.20	1.20	From 01.02.08
Conventional tea	Asia (except China, India, Sri Lanka)	USD/kg	1.40	1.40	From 01.02.08
Conventional tea	South America	USD/kg	1.20	1.20	From 01.02.08

**\* Geographical definitions:**

‘**North India**’ refers to teas grown in Assam, West Bengal, Tripura, Bihar, Uttaranchal, Himachal Pradesh, Manipur, Sikkim, Arunachal Pradesh, Nagaland, Meghalaya, Mizoram, Orissa states, with the exception of Darjeeling teas.

‘**South India**’ refers to teas grown in Kerala, Tamil Nadu and Karnataka states, with the exception of Nilgiri teas.

‘**Nilgiri**’ refers to teas of that name, grown in the Nilgiris mountains of Kerala and Tamil Nadu at altitudes broadly ranging between 1000-2500m.

- 5.5 In addition to the price, the buyer shall pay a Fairtrade Premium as set by FLO. The Fairtrade Premium is paid in addition to the price, whether this is the market price, the negotiated price or the Fairtrade Minimum Price (see paragraphs 5.1-5.4 above). The level of the Fairtrade Premium is fixed and is independent of the minimum, market, or negotiated price for the tea.
- 5.6 The Fairtrade Premium shall be paid and managed according to the requirements of the Generic Fairtrade Standards for Hired Labour.
- 5.7 From 1 February 2008, for tea from the *Camellia* plant, for both organic and conventional teas, the Fairtrade Premium for all teas made using the CTC production method, and for fannings and dust made using the orthodox production method, will be fixed at USD **0.50** per kg of made tea. Until 1 February 2008 the Fairtrade Premium for these teas is fixed at EUR **0.50** per kg.
- 5.8 From 1 February 2008, for tea from the *Camellia* plant, for conventional teas made using the CTC production method, and for conventional fannings and dust made using the orthodox production method only, USD **0.10**/kg will be deducted by the buyer from each Fairtrade Premium payment. This amount will be paid directly to the producer, and must be used to support improvements in working conditions as part of ongoing certification and compliance with Fairtrade standards.
- 5.9 From 1 February 2008, for tea from the *Camellia* plant, for both organic and conventional teas, the Fairtrade Premium for all other teas made using the orthodox production method will be fixed at USD **1.10** per kg of made tea. Until 1 February 2008 the Fairtrade Premium for these teas is fixed at EUR **1.00** per kg.
- 5.10 The Fairtrade premium for **Camomile, Mint and Hibiscus** is set at Euro **0.50** per kg.

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5.11 The Fairtrade Minimum Price and the Fairtrade Premium for Rooibos are listed in the following table:

Product type	Origin	Currency/ Unit	Fairtrade Minimum Price (FTMP)		Fairtrade Premium (FTP)	Validity
			Ex Works	FOB		
<b>Rooibos:</b>						
Organic	South Africa	ZAR/kg	18	23	12	From 01.01.2008
Conventional	South Africa	ZAR/kg	13	18	12	From 01.01.2008

5.11 Fairtrade Minimum Prices for **Rooibos** are set at both Ex Works and FOB levels for the same origin. For the producer, only ONE Fairtrade Minimum Price applies per trade chain (per producer and per product), which means:

→ The Fairtrade Minimum Price set at Ex Works level is **only** applicable for Hired Labour Situations **not** exporting Rooibos.

→ The Fairtrade Minimum Price set at FOB level is **only** applicable for Hired Labour Situations exporting Rooibos.

Fairtrade Minimum Prices set for Rooibos at Ex Works (EXW) level mean that the Hired Labour Situation has the product ready for collection at his/her premises (Factory, warehouse, plant) on the date agreed upon. The following costs are included: one-off set-up costs amortized, field work, harvest, transport costs to the storage facility or processing plant, processing (if applicable), packing (if applicable) and organisational costs (including Fairtrade and organic certification and compliance costs). Fairtrade Minimum Prices set at FOB level include in addition to the costs at the EXW level, the transport costs to the export site and export costs.

Note that for Hired Labour Situations not exporting Rooibos, any cost that is included at the EXW level as defined above, but not directly paid by the Hired Labour Situation has to be considered as a “service” and paid to the provider of this “service.”