



Fairtrade Trader Standard

Current version: 01.03.2015 v1.3

Expected date of full review: 2020

Contact for comments: standards-pricing@fairtrade.net

For further information and standards downloads: www.fairtrade.net/standards.html



Table of contents

Introduction	3
Purpose	3
Theory of Change	3
References	5
How to use this standard	5
Scope and assurance	6
Definitions	7
Application	11
Monitoring of changes	11
Change history	12
1. General requirements	13
1.1 Right to trade Fairtrade products	13
1.2 Use of the Fairtrade trademark	15
2. Trade	16
2.1 Traceability	16
Documentary traceability	16
Physical traceability	17
Mass balance	18
2.2 Product composition	21
3. Production	24
3.1 Labour rights	24
3.2 Environmental protection	24
4. Business and Development	27
4.1 Contracts	27
4.2 Price and Fairtrade Premium	29
Price of Fairtrade products	29
Fairtrade Premium	32
4.3 Timely payment	33
4.4 Access to finance	33
4.5 Sourcing and market information for planning	35
4.6 Sharing risks	36
4.7 Capacity building	36
4.8 Trading with integrity	37
ANNEX 1 Fairtrade Payer and Conveyor	38



Introduction

Purpose

Fairtrade is a strategy that aims to promote sustainable development and to reduce poverty through fairer trade.

The main goals of Fairtrade are making changes to the conventional trading system that aim to benefit disadvantaged small producers and workers and increasing their access to markets. These actions can lead to improvements in small producers' and workers' social and economic well-being, as well as to their empowerment, and to environmental sustainability.

Traders are welcome to join Fairtrade if they are committed to supporting these Fairtrade objectives.

Theory of Change

A Theory of Change describes the change that an initiative such as Fairtrade wishes to see in the world and its understanding of how it will contribute to that change. Below (Figure 1) is a brief explanation of Fairtrade's Theory of Change, highlighting the aspects most relevant for the Fairtrade Trader Standard. More information about Fairtrade's Theory of Change can be found Fairtrade International's webpage.

Fairtrade aims to support small-scale producers and workers who are marginalized from the benefits of trade. Fairtrade's vision is a world in which all small producers and workers can enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future. To fulfil this vision, Fairtrade has identified three long-term goals¹:

- Make trade fair
- Empower small producers and workers
- Foster sustainable livelihoods.

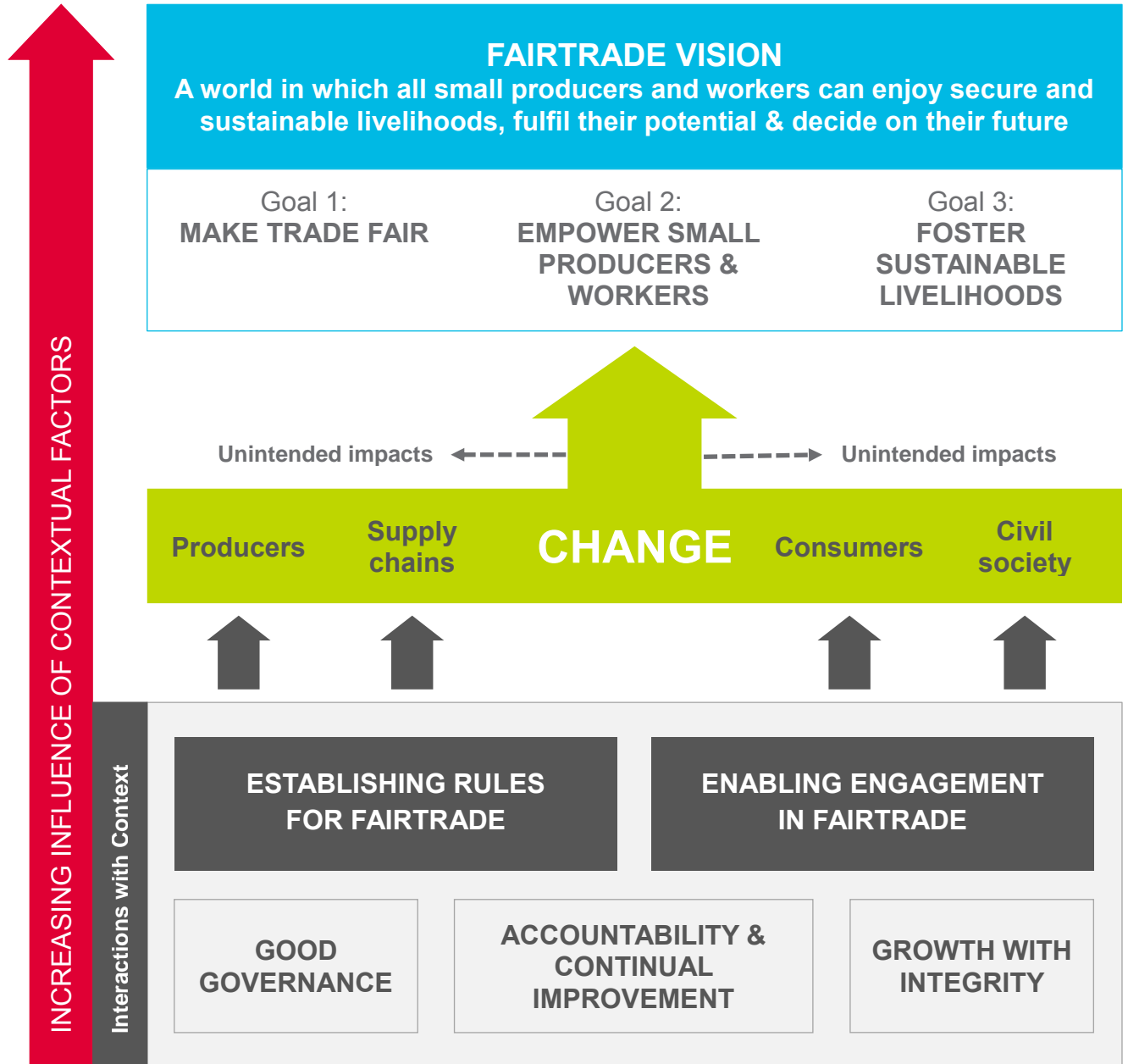
To achieve its goals, Fairtrade aims to bring about simultaneous change in four spheres:

- Small producer and worker organizations
- Supply chain business practices
- Consumer behaviour
- Civil society action

¹There are clear linkages and inter-dependencies between the three goals of Fairtrade. In particular, the combination of making trade fair and empowering small producers and workers is understood to be essential for the achievement of sustainable livelihoods.



Figure 1





References

When setting the Fairtrade standards, Fairtrade International follows certain internationally recognized standards and conventions, in particular those of the International Labour Organization (ILO). Fairtrade has a rigorous standard operating procedure for setting Fairtrade standards, which can be found [here](#). This procedure is designed in compliance with the [ISEAL Code of Good Practice](#) for Setting Social and Environmental Standards.

Fairtrade International also requires that operators always abide by national legislation, on the topics covered by this standard, whenever the legislation sets higher requirements than this standard. The same applies to regional and sector-specific practices.

How to use this standard

Chapters

The Fairtrade Trader Standard has four chapters: General Requirements, Trade, Production and Business and Development.

- The **General Requirements** chapter defines requirements related to certification, and to the labelling and packaging of finished and unfinished products.
- The **Trade** chapter defines requirements related to trading practices.
- The **Production** chapter defines requirements related to social and environmental practices along the supply chain.
- The **Business and Development** chapter defines requirements that make the unique Fairtrade approach to development more visible.

Structure

In each chapter and section of the standard you will find:

- The **intent** which introduces and describes the objective and defines the scope of application of that chapter or section;
- The **requirements** which specify the rules that you must adhere to. You will be audited according to these requirements; and
- The **guidance** provided to help you to interpret the requirements. The guidance offers best practices, suggestions and examples of how to comply with the requirement. It also gives you further explanation on the requirement with the rationale and/or intention behind the requirement. You will not be audited against guidance.

Requirements

In this standard you will find two different types of requirements:

- **Core requirements** which reflect Fairtrade principles and must be complied with. These are indicated with the term 'Core' found in the column on the left throughout the standard.
- **Voluntary Best Practices (VBP)** which refer to the additional steps that all supply chain actors can take to foster even fairer trading conditions. They serve as your reference point for achieving best practise and contribute to greater sustainability in the entire supply chain. These practices are voluntary and not required in order for you to be in compliance with the Fairtrade Trader Standard. They will be however monitored on a regular basis in order to identify those actors that go beyond minimum compliance, and are indicated with the term 'VBP' found in the column on the left throughout the standard.



You are in **compliance** with the Fairtrade Trader Standard if **you fulfil all Core requirements** that are applicable to you.

The Fairtrade Trader Standard applies to you regardless of the product you want to certify. Fairtrade International also publishes product standards, which complement specific requirements to the Fairtrade Trader Standard. **The applicable product standards must also be complied with**, and should be read in conjunction with this standard. For some products, exceptions to specific requirements in this standard have been defined in the relevant product standards. Aside from these explicit exceptions, the Fairtrade Trader Standard supersedes the Fairtrade product standards.

Fairtrade Minimum Prices and Fairtrade Premium levels for Fairtrade products are published separately to the product standards. Fairtrade payers and conveyors should use the Fairtrade International website for details of the relevant Price and Premium levels (which can be found [here](#)) and ensure that they are in compliance with these. Producers should also ensure that they are informed about current Fairtrade Price and Premium levels for their products.

Scope and assurance

This standard applies to all companies that buy and sell Fairtrade products and fall under one of the four categories below. The method of assurance that is chosen to assess compliance with this standard is related to the role of the company in the supply chain and therefore the number and kind of requirements to comply with.

- The following companies must be **certified** and are therefore subject to physical audits:
 - Companies that buy and sell a Fairtrade product until the product is in its final packaging.
 - Companies that buy directly from producers and/or are responsible for paying or conveying the Fairtrade Price or Premium.
- The following companies must be **verified** and are therefore exempted from physical audits, unless deemed necessary, and are monitored through effective reporting tools:
 - Companies that have signed a licence agreement to use one of the FAIRTRADE Marks or make a reference to Fairtrade and do not fall under any of the two categories above. These are monitored by the respective licensing body. For these companies, the applicable requirements are defined in their license agreement.
 - Companies participating in the Fairtrade Sourcing Program (FSP) for Cotton after the Fairtrade payer, or after the ginning stage (if this comes earlier). These are monitored through the Fairtrade traceability tool, Fairtrace.

Different requirements apply to different companies depending on their role in the supply chain. You can find if a requirement is applicable to you in the column “applies to”:

- **All traders:** means all companies under the scope of application of this standard.
- **Fairtrade payer:** means the company that is responsible for paying the Fairtrade Price or Premium. Please see [Annex 1](#) for the default payer in your product.
- **Fairtrade conveyor:** means the company that is responsible for conveying the Fairtrade Price or Premium from the payer to the producer. Please see in [Annex 1](#) whether first buyers may be allowed to act as Fairtrade conveyors in your product.
- **First buyer:** means the company that buys directly from the producer
- **FSP traders:** are companies involved in the Fairtrade Sourcing Program for cocoa, sugar or cotton and



the Gold Sourcing Programme.

In general this standard does not apply to producer organizations, as the trading rules they need to fulfil are included in the Fairtrade Small Producer Organizations Standard, the Fairtrade Contract Production Standard or the Fairtrade Hired Labour Standard, respectively. It is still important for producers to know that buyers must comply with this standard when buying Fairtrade products and are encouraged to understand these rules to be in a better position when negotiating Fairtrade transactions.

Producer organizations that sell a product from another certified organization are considered traders and must comply with the requirements of the Fairtrade Trader Standard found in this document.

Producer organizations that sell final Fairtrade products to consumers, and producer organizations that sell composite products or composite ingredients must comply with the specific requirements on Use of Fairtrade trademark and Product Composition of the Fairtrade Trader Standard found in this document.

Definitions

Definitions for all key terms used in this standard are listed below. These include the current definitions of trade-related terms as used by the Fairtrade standard setter and the certification body. These terms may appear either in this Fairtrade Trader Standard, or in the Fairtrade product standards.

Agent is a juristic or natural person who provides marketing or logistic services to operators, but at no time takes legal ownership of a certified product.

Audit means a process of verification to assess the compliance of an operator and/or a product with the Fairtrade standards.

Buyer means an operator that buys a certified product.

Certification means the process of issuing a confirmation by a certification body that an operator and/or a specific lot of products is found to comply with a Fairtrade standard.

Certification Body means an independent third party, or third parties, to whom Fairtrade International has delegated the function of inspection and certification.

Certificate means a written confirmation issued by a certification body that an operator or a specific lot of product(s) is found to comply with a Fairtrade standard.

Composite Ingredient is an ingredient made of several components (e.g., chocolate chips) not intended for consumer purchase.

Composite Product is a consumer ready product composed of more than one ingredient.

Consumer means the final end user of the product.

Contract means a written agreement between two or more parties.

Contract Production (CP) means individual farmers who are contracted to produce and sell their products to a service provider. In the Fairtrade context, CP also refers to a set of Fairtrade standards describing the relationship between the service provider (Promoting Body), the contracted producers, and their representatives (Producer Executive Body).



Conveyor means any operator that receives the Fairtrade price or Fairtrade Premium from a Fairtrade payer and passes it on to the certified producer.

Dairy means containing milk or milk products.

Derogation means a restricted facility to deviate from a specific requirement under specific conditions.

Exception is a formal granting of permission for an operator to use a non-certified ingredient in place of a certified ingredient in a product formulation for a defined period of time and under specific conditions.

Exceptions Committee is a committee responsible for providing guidelines for the granting of exceptions to product compositions. Type II exceptions may only be granted by the Exceptions Committee.

Ex Works means that delivery takes place when the seller places the goods at the disposal of the buyer at the premises of the seller or another named place (works, factory, warehouse, etc.) not cleared for export and not loaded on any collecting vehicle.

Fairtrade refers to all or any part of the activities of Fairtrade International, FLOCERT, Fairtrade Producer Networks, National / Regional Fairtrade Organizations and Fairtrade Marketing Organizations.

Fairtrade International (FLO) is the Fairtrade Labelling Organizations International e.V., a non-profit organization that develops the Fairtrade standards, provides guidance to support Fairtrade producers and facilitates the development of Fairtrade markets.

Fairtrade Minimum Price (where it exists) is the lowest possible price that may be paid by buyers to producers for a product to become certified against the Fairtrade standards.

Fairtrade payer means the buyer responsible for paying the Fairtrade Minimum Price and the Fairtrade Premium. Buyers must check their potential status as Fairtrade payer with the certification body.

Fairtrade Premium is an amount paid to producers in addition to the payment for their products. The Fairtrade Premium is intended for investment in the producers' business and community (for a small farmers' organization or contract production set-up) or for the socio-economic development of the workers and their community (for a hired labour situation).

Fairtrade price means the total price paid to producers and includes the Fairtrade Minimum Price (or relevant market price where applicable) and the Fairtrade Premium.

Fairtrade Sourcing Programs (FSP) is a commodity-sourcing program applicable to cocoa, sugar and cotton which offers a model for using the FAIRTRADE Program Mark which is focused on raw commodities rather than finished products. Licensees for FSP are offered a range of communication options including on-pack or off-pack labelling and / or communications

Farm Gate price as used by FLO refers to the gate of the certified producer entity (e.g., the Small Producers' Organization), and not the gate of the individual producer's farm. Farm Gate therefore means that the seller (the certified producer entity) delivers when they place the goods at the disposal of the buyer at the premises of the seller.

Finished Product is a consumer-ready product, which is not further transformed or repacked before sale to the consumer.



FLO-ID is a unique identification number which is assigned to all Fairtrade operators by the certification body. The existence of a FLO ID does not necessarily imply that an operator is certified.

Force Majeure is a clause used in contracts to release a party from a contractual obligation in the event of a situation occurring that is not under its control, such as an act of war, civil commotion, strike and exceptionally severe weather.

Free on Board (FOB) means that the seller delivers when the goods pass the ship's rail at the named port of shipment. From that point forward, the buyer has to bear all costs and risks of loss or damage to the goods. Under FOB terms, the seller is required to clear the goods for export.

Ingredient is any substance, including a food additive, used in the manufacture or preparation of a food and present in the final product, although possibly in a modified form.

Licensee is a company licensed by a National Fairtrade Organization or Fairtrade International to use the Fairtrade Certification Mark.

Licensing Body is the agent which draws up and signs a licence contract with a licensee. In countries where a national Fairtrade organization (NFO) is located, the NFO serves as the Licensing Body. In non-NFO countries, Fairtrade International serves as the Licensing Body.

Market price means the price calculated under normal/ordinary conditions (including any differentials due to quality, variety or other factors), with no reference to any additional Fairtrade Premium.

National Fairtrade Organization (NFO) is a full member of Fairtrade International as defined by its Constitution. An NFO is mainly responsible for licensing, marketing, business development and awareness raising in a defined geographical area.

Non-certified product shall mean any product that has not been produced or traded under Fairtrade standards.

Operator means any producer, buyer, seller and conveyor certified against this standard.

Pre-finance means to provide finance against contracts in advance of delivery or receipt of the product.

Producer means any entity that has been certified under the Fairtrade International Fairtrade Standard for Small Producer Organizations, Fairtrade Standard for Hired Labour Situations, or Fairtrade Standard for Contract Production.

Product means any certified product that has been produced and traded according to both the specific requirements for that product and the requirements in the relevant Fairtrade standards. A product can be considered a main or secondary product. A **main product** is the principal product that comes out of a production process. The term "production process" applies to both agricultural production and agro-industrial processing. The Fairtrade Minimum Price and/or Premium are paid on the main product. A **secondary product** is a product that comes out of a production process in addition to the main product. A secondary product can be directly consumed, used as an input in another production process, disposed of or recycled. A secondary product can be a by-product, a co-product or a residue. A **derivative of a secondary product** is a processed secondary product.

Product Compensation is defined as when a buyer buys a product from a non-certified producer or conveyor under ordinary conditions (non-certified), and wants to convert that product into a certified



product by purchasing the equivalent quantity and quality from a certified producer at a later date, which is then used as a non-certified product.

Product Standard means a set of product-specific requirements that apply only to those operators that are trading in one or more of the products included in that standard.

Promoting Body (PB) is a term used by Fairtrade International within the context of contract production. It can be any legally established intermediary organization, either a trader (exporter/trader) or non-trader (NGO or private) which forms a partnership with the producers it contracts with. The promoting body provides the individual producers with a range of services, including support for organization. It may receive the Fairtrade Premium on behalf of the producers.

Retroactive Certification (or 'retro-certification') is defined as when a buyer has bought product from a certified producer or conveyor under ordinary conditions (non-certified), and wants to convert it into a certified product.

Rotational Crops are varied crops that are generally grown in a definite planned order on the same field, especially to avoid depleting the soil and to control weeds, diseases, and pests. For the purpose of this standard, it also includes intercrops which are crops grown between the rows of another main crop.

Seller means the operator that sells a certified product.

Sourcing Plan means an outline of the potential quantities and qualities likely to be purchased during the year or season.

Subcontractor means an individual or company that provides processing and/or manufacturing services on behalf of an operator but does not take legal ownership of the product.

Traceability is the ability to trace the history, application and/or location of a product.

Trader is any company subject to this standard.

Transitioning ingredient is an ingredient within a food composite product that is not fully sourced as Fairtrade, but has an agreed written plan for becoming 100% Fairtrade.

Unfinished Product is any product that is not a finished product.

Implementation

When undertaking audits monitoring reporting and making certification and verification decisions, the certification body will closely follow the exact wording of the requirement and the stated objectives. To this end the certification body develops technical **compliance criteria** for each requirement. In cases where there is doubt over whether an operator has correctly applied a requirement, the certification body will make its assessment according to the objectives set out in this standard.

When applied in a particular situation the stated objectives might not be achieved by following exactly the requirements. In those cases the certification body shall consider flexibility in interpreting this standard through granting exceptions. Companies shall follow the applicable procedure for requesting exceptions.



The Fairtrade International Standards and Pricing unit provides explanatory documents which contain further information related to this standard. These documents can be found on the Fairtrade International website: www.fairtrade.net/standards. You will not be audited against the explanatory documents.

Application

This version of the Fairtrade Trader Standard is published on 1 May 2017. This version supersedes all previous versions. New requirements introduced in the versions v1.0 to v1.3 are identified in this standard by the words “NEW”.

All companies that are certified or verified need to be in full compliance, and will be checked against all applicable **Core Requirements** after a relevant transition period as follows:

- Core requirements: applicable from **1 September 2015**
- Core Requirements marked **NEW 2017**: applicable from **1 January 2017**
- Core Requirements marked **NEW 2018**: applicable from **1 January 2018**

Voluntary Best Practices are not mandatory for compliance with this standard, but will be assessed during audits from **1 September 2015**.

Those **Voluntary Best Practices** marked **NEW 2017** will be assessed during audits as of 1 January 2017.

Monitoring of changes

Fairtrade International may change Fairtrade standards as explained in Fairtrade International's Standard Operating Procedures, see http://www.fairtrade.net/setting_the_standards.html. Fairtrade standard requirements can be added, deleted, or changed. If you are Fairtrade-certified, you are required to check the Fairtrade International website regularly for changes to the standards.

Fairtrade certification and verification ensure that you comply with Fairtrade standards. Changes to Fairtrade standards may change the requirements of Fairtrade certification and verification. If you wish to be or are already Fairtrade certified or verified, you are required to check the compliance criteria and certification policies on the certification body's website regularly at <http://www.flo-cert.net>.



Change history

Version number	Date of publication	Changes
01.05.2011_v1.0	01.05.2011	NEW Standards Framework (NSF) changes: (1) reorganization of the standard into 4 chapters, (2) inclusion of requirements on composite products and ingredients, (3) NEW section defining physical traceability, single site mass balance and group mass balance and (4) additional of requirements of the use of the FAIRTRADE Mark.
01.05.2011_v1.1	30.01.2013	Amendment of requirement 2.1.13 on group mass balance and intent section of 2.1.
01.05.2011_v1.2	13.12.2013	Amendments of sections 1.2 Use of the mark, 2.2 Product composition and of Definitions to cover the Fairtrade Sourcing Program and any reference to Fairtrade beyond use of the Mark on final product. Application of requirement 4.3.6 also for dried fruits and fruits juices where there is no Fairtrade Minimum Price.
01.05.2011_v1.3	01.07.2014	Amendments of section 2.1 Traceability to cover the Fairtrade Sourcing Program for Cotton.
01.03.2015_v1.0	01.03.2015	Full review of the standard. Addition of voluntary best practices. Addition of chapters Labour rights, Environmental protection, Capacity building and Trading with Integrity. Simplification of wording, reorganisation, deletion of redundancies, added or improved guidance.
01.03.2015_v1.1	30.07.2015	Correction of who the requirement applies to (4.1.8, 4.2.1, 4.2.3, 4.5.1), rewording of the intent of the sections, rewording of the introduction to Annex 1, deletion of requirement on contracts for operators along the supply chain.
01.03.2015_v1.2	1.12.2016	Revised Hazardous Materials List (HML), formerly the Prohibited Materials List, and related requirements. The transition period for compliance to the standards related to HML has been extended from 1/1/2017 to 1/1/2018. Definition of rotational crops added as well as the price and premium payer for rotational crops under contract production in Annex 1.
01.03.2015_v1.3	01.05.2017	Extension of the deadline for phasing out Group Mass Balance (GMB) for cocoa and sugar. Additional requirements on conditions for GMB and transparency on traceability models.



1. General requirements

Intent: The intent of this section is to have a robust process to ensure that all Fairtrade products, marks and claims are reliable.

1.1 Right to trade Fairtrade products

Intent: To ensure that all operators trading Fairtrade products are entitled to do so, and submit themselves to appropriate audit mechanisms to ensure they comply with all relevant rules.

1.1.1 Certification body permission

Applies to: All traders	
Core	You start trading Fairtrade products after you receive the relevant permission from the certification body.

1.1.2 Accepting audits and information requests

Applies to: All traders	
Core	You accept announced and unannounced audits of your premises, including additional entities (see 1.1.3), and you do all required reporting, to assess compliance with this standard. You provide the certification body with all information it requests to verify compliance with this standard.

1.1.3 Registration and contracts with additional entities

Applies to: All traders	
Core	You contractually require that the additional entities that you work with comply with this standard, accept audits and do regular reporting, as requested by the certification body. When you start working with a NEW additional entity, you register the NEW additional entity with the certification body.
Guidance: Additional entities do not take legal ownership of the Fairtrade product. Additional entities include subcontracted companies, affiliated branches etc. The certification body will determine which requirements in this standard are applicable to your additional entities and will only audit those requirements.	

1.1.4 Fairtrade sourcing partners

Applies to: All traders	
Core	You purchase Fairtrade products only from Fairtrade producers or traders with a valid certification or verification.



1.1.5 Fairtrade sales partners

Applies to: All traders	
Core	You ensure that Fairtrade products <u>not</u> in consumer-ready packaging are only sold to Fairtrade traders with a valid certification.

1.1.6 **NEW** Sourcing from producer organizations

Applies to: First buyers except those who purchase from contract production set-ups	
Core	You purchase certified products from producer organizations and not from individual members of the organization. In case this is not possible, you demonstrate why and you have a framework contract in place to regulate the following details between you and the producer organization: traceability, volume, price, delivery terms, payments terms and invoicing method.

1.1.7 Suspension

Applies to: All traders	
Core	<p>You do not sign NEW Fairtrade contracts if:</p> <ul style="list-style-type: none"> • your supplier/buyer is suspended; or • you are suspended; <p>unless you can prove that you have existing trade relationships.</p> <p>If you do have existing trade relationships you can sign NEW contracts with these partners but the volume is restricted to up to a maximum of 50% of the volume traded with each partner in the previous year.</p> <p>In all cases you must fulfil existing Fairtrade contracts during the suspension period.</p>
Guidance: The certification body will determine whether an existing trading relationship exists.	

1.1.8 Decertification

Applies to: All traders	
Core	You do not make any Fairtrade transaction with a decertified trader, or if you are decertified, even if you have signed contracts. However you accept Fairtrade products that were traded before the date of decertification.
Guidance: For example, in a free on board (FOB) contract, if the product is on board before the decertification, then it must be accepted. Transactions that have not yet been delivered are no longer Fairtrade contracts.	



1.1.9 Fairtrade officer

Applies to: All traders	
Core	You designate one official contact for Fairtrade-related matters.
Guidance: The key contact (the Fairtrade officer) acts as the main contact person for certification and auditing issues. This person is responsible for ensuring your compliance with all requirements and for keeping the certification body updated with contact details and other relevant information.	

1.2 Use of the Fairtrade trademark

Intent: To ensure that the Fairtrade Mark, claims, and reference to Fairtrade are used appropriately.

1.2.1 Contract for using the FAIRTRADE Mark

Applies to: All traders using a FAIRTRADE Mark or making a reference to Fairtrade	
Core	For the use of any FAIRTRADE Mark or any other reference to Fairtrade as defined in this standard (see Definitions) on a finished or unfinished product, on any packaging or in any other communications, you agree a contract in writing with a national Fairtrade organization or with Fairtrade International.

1.2.2 Artwork approval

Applies to: All traders using a FAIRTRADE Mark or making a reference to Fairtrade	
Core	You ensure that all artwork with a FAIRTRADE Mark on product packaging and in any other communications complies with the applicable “Trademark Use Guidelines” and is approved in writing prior to use by a national Fairtrade organization or Fairtrade International.
Guidance: Artwork can be product packaging, promotional materials or any print and electronic media.	

1.2.3 Verification of claims

Applies to: All FSP traders making claims on sourcing	
Core	You ensure that all claims made on the sourcing of Fairtrade commodities (for example, as covered by the Fairtrade Sourcing Programs (FSP) model) are verified by a national Fairtrade organization or Fairtrade International or a designated agent before these claims can be communicated publicly.



2. Trade

Intent: The intent of this section is to provide maximum benefits to producers, while being credible to consumers.

2.1 Traceability

Intent: To ensure that for each sale of Fairtrade product, an equivalent volume has been bought from Fairtrade producers under Fairtrade conditions, and that Fairtrade products sold as physically traceable can be traced back to Fairtrade producers.

In certain cases where enforcing physical traceability would currently compromise the aim to maximize benefits to producers, traders do not have to apply physical traceability. They however have to comply with mass balance requirements, to ensure that the volume they buy as Fairtrade corresponds to the volume they sell as Fairtrade. Traders with no physical traceability should aim to use Fairtrade inputs (sourced products) to process Fairtrade outputs.

The exemption from physical traceability requirements applies to cocoa, cane sugar, fruit juice and tea (*Camellia sinensis*). For these product categories, physical traceability is therefore advisable but not compulsory. Also, under the Fairtrade Sourcing Program (FSP) and the Gold Sourcing Programme, where the primary objective is to promote the sourcing of Fairtrade commodities and the benefits for Fairtrade producers, physical traceability is not required, and mass balance is allowed. In the case of FSP cotton, mass balance is allowed for processing activities at and after spinning stage. The activities up to and including the ginning stage must be in conformity with the physical traceability requirements.

Documentary traceability

Intent: To ensure that Fairtrade transactions are identifiable and can be traced along the supply chain.

2.1.1 Identification of Fairtrade products

Applies to: All traders	
Core	<p>You clearly identify all Fairtrade products as Fairtrade in all purchase and sales documentation (e.g. invoices, delivery notes and purchase orders).</p> <p>You ensure that you and the certification body will be able to trace:</p> <ul style="list-style-type: none"> • the name and FLO-ID of the traders involved in a Fairtrade transaction; • the applicable dates of the transaction; • the quantities and physical form of the product when transacted (purchase and sale); • and • the payment of the Fairtrade price and Fairtrade Premium and pre-financing (where applicable).



Guidance: The documentation related to the Fairtrade product must allow the certification body to trace back the product to its Fairtrade supplier.

2.1.2 Record-keeping

Applies to: All traders

Core You **keep** records of all entries, processing and sales of Fairtrade products. Records **must allow** the certification body to trace back from any given Fairtrade output to the Fairtrade inputs.

Guidance: 'Trace back' means that you and the certification body will be able to trace the alterations performed and the relevant recipes and yields..

Physical traceability

Intent: To ensure that Fairtrade products are physically differentiated from non-Fairtrade, so that Fairtrade products sold as physically traceable can be traced back to producers.

The following requirements are compulsory for all traders except for cocoa, cane sugar, fruit juice and tea (*camellia sinensis*), for activities carried out under the FSP cotton model² after ginning stage and for traders operating under the Gold Sourcing Programme. Those traders can choose whether or not to apply physical traceability. If they choose to apply physical traceability, they must comply with the following requirements.

2.1.3 Physical segregation of Fairtrade products

Applies to: All traders that apply physical traceability

Core You **physically segregate** Fairtrade products from non-Fairtrade products at all stages of the supply chain.

2.1.4 Identification of products on-site

Applies to: All traders that apply physical traceability

Core You are **able to identify** Fairtrade products as Fairtrade at all stages (e.g. storage, transport, processing, packaging, labelling and handling) as well as in all related records and documents.

2.1.5 Identification of products when sold

Applies to: All traders that apply physical traceability

Core When you sell Fairtrade products you **clearly identify** the product as Fairtrade.

²

For cotton, this refers only to activities from spinning stage onwards in supply chains under the FSP model. Ginners must comply with physical traceability requirements.



Guidance: The method of identification is at your discretion, but must be verifiable (e.g. with the FLO-ID or “FLO/Fairtrade” on the packaging and documentation).

2.1.6 Optional physical traceability

Applies to: Traders that apply physical traceability in cocoa, cane sugar, tea and fruit juice

Core You **source** Fairtrade cocoa, cane sugar, tea (*camellia sinensis*) or fruit juice from a Fairtrade trader certified against the physical traceability requirements. These products, when purchased, **must be identified** as a Fairtrade product with physical traceability.

Guidance: The method of identification is at your discretion, but must be verifiable (e.g. with the FLO-ID or “FLO/Fairtrade” on the packaging and documentation).

For legal reasons, claims and messaging allowed for products with and without physical traceability are different. Only those supply chains successfully audited against the physical traceability requirements 2.1.3 to 2.1.7 can use claims and messaging for products with physical traceability

2.1.7 Physical traceability for composite products

Applies to: All traders that apply physical traceability

Core If you combine physically and non-physically traceable ingredients in Fairtrade composite products, the Fairtrade physically traceable ingredients **must comply** with the physical traceability requirements. If for technical reasons this is not possible, you **must apply** for an exception with the certification body.

Guidance: Some Fairtrade composite products combine physically traceable ingredients with non-physically traceable ones (e.g. cocoa and vanilla), which in some cases cause the loss of physical traceability for all or some of the ingredients. In these specific cases you need to prove that traceability is lost due to technical reasons. Only for Fairtrade composite products and ingredients certified against the physical traceability requirements, are you allowed to use claims and messaging for products with physical traceability.

Mass balance

Intent: To ensure that for each product sold as Fairtrade on the consumer market, an equivalent volume has been sold by producers under Fairtrade terms.

Fairtrade differentiates between two types of mass balance practices:

Single site mass balance is audited per site (requirement 2.1.10): Fairtrade inputs must be delivered to and processed at the same site where the Fairtrade output is processed. Traders should aim to use Fairtrade inputs to process or sell Fairtrade outputs.

Group mass balance is audited per group of sites (requirement 2.1.12): Fairtrade inputs do not need to be delivered to the same site that the Fairtrade output is processed. Group mass balance is only allowed in cocoa and cane sugar.

The aim of Fairtrade is to achieve single site mass balance in the mid-term and to achieve physical traceability in all its products in the long term. Group mass balance is however allowed for cocoa and sugar to allow flexibility in the trade and maximise producers’ Fairtrade sales until end 2020. Please note



that this time limitation does not apply to Fairtrade cane sugar and cocoa producers and their first buyers in countries of origin.

The following requirements apply to traders with NO physical traceability

2.1.8 Mass balance: equivalent amounts of inputs and outputs

Applies to: All traders that apply mass balance	
Core	You ensure that the amount of outputs sold as Fairtrade is not more than the amount of inputs sourced as Fairtrade taking into account the processing yields and all losses.
Guidance: Losses is understood as all decreases in weight that the product might incur from its purchase (input) until its sale (output) e.g. during storage, repackaging, processing and transport.	

2.1.9 Mass balance: purchase prior to sale

Applies to: All traders that apply mass balance	
Core	You ensure that Fairtrade inputs are purchased before the sale of the Fairtrade outputs.

2.1.10 Single site mass balance:

Applies to: All traders that apply mass balance (except as in 2.1.12)	
Core	You ensure that Fairtrade inputs are delivered to and processed at the same site where the Fairtrade output is processed.

2.1.11 Mass balance: like-for-like

Applies to: All traders that apply mass balance	
Core	You ensure that Fairtrade inputs are of the same kind and quality as the inputs used to process the Fairtrade output (like for like).
Guidance: The intent of this requirement is to ensure the correct and intended use of mass balance. For this purpose, purchases of Fairtrade inputs should be comparable to the inputs used in the actual Fairtrade products. The exchange of inputs should not be to the disadvantage of the producer. The same kind and quality includes, but is not limited to, other certifications, speciality commodities, price, and quality. E.g. If you sell Fairtrade chocolate made with high quality cocoa then the Fairtrade ingredient purchased cannot be low quality cocoa beans; if you sell Fairtrade organic sugar then the ingredient purchased cannot be non-organic Fairtrade sugar.	



2.1.12 NEW 2018 Group mass balance

Applies to: Cocoa and sugar traders that apply group mass balance	
Core	<p>If you want to implement group mass balance, then you obtain permission from the certification body before implementing it. Any change in the sites involved in the group mass balance also requires permission of the certification body.</p> <p>The certification body will grant permission to apply group mass balance only if the following conditions below are met:</p> <ol style="list-style-type: none"> a. All sites involved in group mass balance belong to the same group. b. One site needs to be designated as the central administration site, where all relevant information on all purchases and sales of the entities of the group is available. c. The group has an adequate system in place, common to all entities of the group that centralizes all Fairtrade purchases and sales information. This system enables checking that the volume of Fairtrade output sold by the group is not more than the volume of Fairtrade input purchased by the group.
<p>Guidance: In the case of cocoa and sugar, where single site mass balance may not be sufficient to maximize the producers' ability to sell cocoa or sugar under Fairtrade terms, group mass balance is allowed currently until 31 December 2020.</p>	

2.1.13 NEW 2018 B2B transparency on traceability model

Applies to: all cocoa and sugar producers and traders	
Core	<p>Whenever you sell cocoa or sugar products as Fairtrade, you indicate in your sales documentation whether the product is segregated (physically traceable) or traded under mass balance.</p>
<p>Guidance: Sales documentation in this context could be either the contract, the invoice or delivery docket. Please note that the rules regarding Business to Consumer communication are not covered in this requirement, but are included in the Guidelines for the Use of the Mark.</p>	

2.1.14 Traceability in FSP products

Applies to: All traders working under FSP in cocoa, sugar and cotton (excluding ginners) and under the Gold Sourcing Programme.	
Core	<p>Traders working under the FSP model (excluding ginners in cotton supply chains) can apply physical traceability requirements or mass balance requirements. In both cases claims made on the sourced volumes or scale or sourcing must be in accordance with physical volumes previously sourced, whether they are physically traceable or not.</p>



2.2 Product composition

Intent: to provide the maximum benefit to producers, while being credible to consumers. This is to be achieved by ensuring that Fairtrade products have as much Fairtrade content as possible, and that this content is accurately reflected in Fairtrade claims on and off-pack.

For non-food products the rules for composites are either defined by the product specific standards or by the respective NFOs.

The intent of labelling composite products under the FSP model outlined in requirement 2.2.5 is to allow the use of the FAIRTRADE Program Mark on products where a commodity is sourced from Fairtrade certified supply chains. This model aims to increase Fairtrade producers' sales of the commodities sourced under the FSP model.

2.2.1 All that can be must be

Applies to: All traders handling food composite products (except FSP traders)	
Core	You ensure that food composite ingredients and food composite products contain as many Fairtrade ingredients as available.
<p>Guidance: This applies to:</p> <ul style="list-style-type: none"> • composite ingredients (ingredients made of several components, e.g. chocolate chips) and • derivatives (an ingredient derived from a single component e.g. soya lecithin) <p>A regularly updated Unavailable Fairtrade Ingredients List is available on the Fairtrade International website: https://www.fairtrade.net/standards/our-standards.html</p>	

2.2.2 Minimum Fairtrade content

Applies to: All traders handling food composite products (except FSP traders)	
Core	<p>Food composite products contain at least 20% Fairtrade content. You express the percentages of the Fairtrade ingredient/sin weight (or volume) relative to the total weight (or volume) of all the initial ingredients before processing.</p> <p>For products with >50% added water or dairy, you are allowed to exclude all added water and/or dairy from the percentage calculations. This also applies to juices from concentrate but not fresh juices.</p>
<p>Guidance: This requirement only applies to food composite products (consumer ready product composed of more than one ingredient) and not to food composite ingredients (ingredient made of several components not intended for consumer purchase).</p> <p>The total concentration of Fairtrade ingredients must be calculated using the Fairtrade content of each ingredient. This means only the Fairtrade content of each ingredient should be counted as Fairtrade. Ingredients benefitting from an exception should not be counted as Fairtrade. For example if an ice cream contains 20% Fairtrade sugar, 10% Fairtrade cocoa, 9% cookies (50% of Fairtrade content), 3% organic almonds (unavailable as Fairtrade: automatic exception), and 2% Fairtrade vanilla, the total Fairtrade content is 20% sugar +10% cocoa + 4.5% cookies + 0% almonds + 2% vanilla = 36.50%.</p>	



2.2.3 Fairtrade content declaration

Applies to: All traders handling food composite products (except FSP traders)	
Core	You declare the percentage of Fairtrade content on the back of the pack, unless it contradicts national law.
Guidance: It is the responsibility of the licensee to ensure that product packaging complies with all relevant labelling laws within the jurisdiction of the area(s) where the product is being sold.	

2.2.4 Exceptions for the use of non-Fairtrade ingredients

Applies to: All traders handling food composite products (except FSP traders)	
Core	<p>Exceptions for the use of a non-Fairtrade ingredient in place of a Fairtrade ingredient can be granted for a defined period of a maximum of 2 years.</p> <p>After that time you provide evidence that Fairtrade ingredients are now in use or you submit a NEW exception application. The total Fairtrade content of the composite product must still reach the minimum threshold of 20%.</p>
<p>Guidance: To apply for exceptions traders processing food composite products must refer to their Fairtrade licensing body and traders processing food composite ingredients must refer to the certification body. A request for an exception does not guarantee that an exception will be granted.</p> <p>As part of the terms for exceptions, and to ensure benefit for Fairtrade producers, traders may be required to provide payment (e.g. in Fairtrade Premium) to Fairtrade producers of the amount equivalent to the volume excepted from being sourced as Fairtrade.</p> <p>The following gives general conditions and reasons under which traders can apply for an exception:</p> <p>Type I exceptions are granted by the licensing body or certification body, based on the guidelines established by the Exceptions Committee. The following reasons are applicable:</p> <ul style="list-style-type: none"> • Supply shortage: Sourcing of Fairtrade ingredients is provisionally not possible for reasons beyond the manufacturer's or processor's control, e.g. drought, natural disaster, strikes, war or similar. • Inadequate quality: The quality of Fairtrade ingredients available causes insurmountable technical problems. • NEW standard: When a NEW product standard is published, an exception of 2 years is automatically granted to all current Fairtrade traders to allow time for sourcing the NEW ingredient. If the sourcing problems persist after 2 years, traders may apply for an exception. • Unavailable ingredient: This refers to an ingredient or derivative for which Fairtrade standards exist, but that is not currently being sold / processed by any trader as Fairtrade. A list of unavailable Fairtrade ingredients is managed by the Exceptions Committee and published. Traders must source the ingredient once it becomes available. <p>Type II exceptions are granted by the Exceptions Committee. The following reasons are applicable:</p> <ul style="list-style-type: none"> • Transitioning ingredient: When an ingredient in a food composite product cannot be fully sourced as Fairtrade, due to issues of supply. The ingredient is available and being sold / processed as Fairtrade by an trader, but sufficient volumes do not exist to supply 100% of the required quantity. The company must have an agreed written plan for the ingredient to become 100% Fairtrade. <p>At least 20% of each transitioning ingredient in a food composite product must be sourced as Fairtrade when the licence contract is signed. Within one year, this composition must increase to a minimum of 50%. The transitioning ingredients must become 100% Fairtrade in accordance with the agreed plan and as soon as enough supply is available.</p> <p>The total concentration of Fairtrade ingredients must be calculated using the Fairtrade content of each ingredient.</p> <ul style="list-style-type: none"> • Provenance: Ingredients holding a provenance certification e.g., Appellation d'origine contrôlée, Denominación de origen, Districtus Austria Controllatus, Denominação de Origem Controlada, etc. The ingredient claiming provenance must be indicated as an exception on the back of the pack. 	



2.2.5 Product composition for the Fairtrade Sourcing Program (FSP)

Applies to: FSP Cocoa and Sugar traders

Core	Finished products carrying the FAIRTRADE Program Mark must be composite products and contain 100% of the relevant commodity in the product, or an equivalent volume as described in the requirements 2.1.8 through 2.1.13, must be Fairtrade certified.
-------------	---

Guidance: There are no minimum thresholds for product composition or minimum percentages for the sourced commodity under the FSP cocoa and sugar model.



3. Production

Intent: The intent of this section is to contribute to greater social and environmental sustainability in Fairtrade supply chains.

3.1 Labour rights

Intent: to ensure that the rights of workers in Fairtrade supply chains are respected. Fairtrade expects that all traders embrace the International Labour Organization’s call for decent work for all.

3.1.1 **NEW 2017** Compliance with labour law and ILO conventions

Applies to: All traders, except FSP cotton traders after ginning stage	
Core	You are aware of the applicable labour laws in your country and of the fundamental ILO conventions and there are no indications that you violate any of them.
<p>Guidance: Fundamental ILO conventions are listed below. They apply to you regardless of whether they have been ratified by your country.</p> <ul style="list-style-type: none"> • Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) • Right to Organise and Collective Bargaining Convention, 1949 (No. 98) • Forced Labour Convention, 1930 (No. 29) • Abolition of Forced Labour Convention, 1957 (No. 105) • Minimum Age Convention, 1973 (No. 138) • Worst Forms of Child Labour Convention, 1999 (No. 182) • Equal Remuneration Convention, 1951 (No. 100) • Discrimination (Employment and Occupation) Convention, 1958 (No. 111) 	

3.2 Environmental protection

Intent: to ensure that negative environmental impact in Fairtrade supply chains are minimized. Fairtrade expects that all traders are aware of their negative impacts on the environment and work towards minimizing them.

3.2.1 **NEW 2017** Compliance with environmental law

Applies to: All traders, except FSP cotton traders after ginning stage	
Core	You are aware of the applicable environmental laws in your country and there are no indications that you violate any of them.



3.2.2 **NEW 2018** Hazardous Materials List (HML)

Applies to: All traders, except FSP cotton traders after ginning stage

Core	<p>You do not use materials on the Fairtrade International Hazardous Material’s List Part 1 (Red List) on Fairtrade products (see Hazardous Materials List). All synthetic materials are used only if officially registered and permitted for use on the crop/product in the country of use.</p> <p>You compile a list of the pesticides that are used on Fairtrade products and keep it updated. The list has the name of the active ingredients, commercial name, product on which they are used and the targeted pests. You indicate which of those materials are in the Fairtrade International Hazardous Materials List (HML), Part 1 (Red List), Part 2 (Orange List) and Part 3 (Yellow List).</p>
-------------	--

Guidance: The Fairtrade International HML has three parts, Part 1 (Red List) which includes a list of prohibited materials, Part 2 (Orange List) which includes a list of materials that that can be used under conditions specified in the standard (see requirement 3.2.3) and the use of which will be monitored and Part 3 (Yellow List) which includes a list of materials which are flagged for being hazardous. You are encouraged to stop using materials on the Orange and Yellow List.

You may use materials listed on the HML on products that are not Fairtrade products, but will be asked by auditors for which products and pests they are being used. The company is encouraged not to use these materials on any of the products as they are dangerous for health and the environment.

There are many materials that are not approved for use in food industry especially for pest control, due to their extreme hazardous nature or because they are now considered obsolete and all of them are not listed in the HML. It is therefore extremely important that only officially approved materials are used for production and for the purpose for which they are approved. traditional pest control methods such as botanical preparations can be used even if they are not explicitly approved for use, provided they are not explicitly prohibited for use.

3.2.3 **NEW 2018** Use of materials in the Orange List

Applies to: All traders, except FSP cotton traders after ginning stage

Core	<p>You use the materials in the Orange List on Fairtrade products only under the following conditions:</p> <ol style="list-style-type: none"> a. You fulfil the specific conditions of use indicated in the HML AND b. You only use a material in the Orange List: i) as part of avoiding pesticide resistance build up in pests, ii) in rotation with less harmful pesticides, iii) as part of Integrated Pest Management (IPM) and iv) includes non-chemical control measures AND c. You develop a plan for reducing/phasing out the use of the materials including information on the type of material (technical name/active ingredient (a.i.), formulation (% of a.i.), commercial name), the quantity used (spray concentration (a.i./ha or % or ppm etc.) and total consumed a.i./ha/year), actions taken for reducing/phasing out the material including details of other non-chemical controls which are part of the IPM strategy. The plan is implemented and made available to the certification body.
-------------	---



3.2.4 **NEW 2017** Management of environmental impacts

Applies to: All traders, except FSP cotton traders after ginning stage

VBP	You understand and act to minimize your direct negative environmental impacts related to Fairtrade products with regard to land use and biodiversity, water use, energy use (including carbon footprint), wastewater effluents, emissions to air, waste, nuisances and incident prevention.
------------	--

3.2.5 **NEW 2017** Recycled or biodegradable packaging material

Applies to: All traders, except FSP cotton traders after ginning stage

VBP	You maximize the use recycled or easily biodegradable materials for packaging.
------------	---

3.2.6 **NEW 2017** Carbon footprint reduction

Applies to: All traders, except FSP cotton traders after ginning stage

VBP	You take actions to reduce your carbon footprint within your Fairtrade supply chain(s).
------------	--

4. Business and Development

Intent: The intent of this section is to ensure that Fairtrade transactions are carried out under transparent and fair conditions, in a way that lays the foundations for producer empowerment and development.

4.1 Contracts

Intent: to ensure transparency in trading relationships between the producers and their buyers, and also throughout the whole supply chain. Contracts set the framework for Fairtrade trade operations.

4.1.1 Role as payer or conveyor

Applies to: Fairtrade payers and conveyors	
Core	You are aware of your role as Fairtrade price and/or Fairtrade Premium payer and/or conveyor as defined in Annex 1 . You may make an alternative arrangement, if allowed in Annex 1 table, provided it is agreed with all affected parties (including the producer), documented in writing and reported to the certification body.

4.1.2 Fairtrade contracts for payers

Applies to: Fairtrade payers	
Core	<p>You sign a purchase contract for Fairtrade products with the producer (or with the conveyor, if applicable). Contracts follow industry regulations, and as a minimum clearly indicate:</p> <ul style="list-style-type: none"> • agreed volumes; • quality specifications; • price, defined according to the requirements of the pricing section; • amount of Fairtrade Premium to be paid (indicated separately from the price); • who is responsible for paying the Fairtrade price and the Fairtrade Premium, • the form of payment, which must be transparent, and traceable; • the date of the exchange rate to be used in case the payment of the Fairtrade price and the Fairtrade premium is made in a different currency than the one defined in the Fairtrade price table; • the terms and amount of pre-finance, if applicable; • procedures in case of quality problems; • terms of delivery using international commercial terms (Incoterms); • terms of payment according to Fairtrade product standards; • definition or mentioning of “Force Majeure”; • agreement on applicable jurisdiction; and • an alternative dispute resolution mechanism to resolve conflicts. <p>Both contracting parties have equal contract termination rights.</p>



Guidance: For contracts signed with a producer, responsibility for drawing up the contract should be mutually agreed on. Where no agreement can be reached, the responsibility to draw up the contract rests with the buyer, who should ensure that the contract reaches the producer in an agreed language.

Mediation is recommended as the form of alternative dispute resolution.

Contracts with the producer should be signed as soon as the negotiations are over and an agreement is reached.

4.1.3 **NEW** Breakdown of price calculations in contracts

Applies to: Fairtrade payers and Fairtrade conveyors

Core	In case the Fairtrade Minimum Price, the market price reference and/or the Fairtrade Premium are set at a different level or for a different product form than the one you are buying at, then you include in the contract with the producer (or the conveyor if applicable) a detailed breakdown of the price calculation (deducted or added cost items and their value, and conversion rate in case of processing), as well as calculation of the Fairtrade premium (conversion rate in case of processing). You may only deduct costs that are included in the Fairtrade Minimum Price. No discount can be made from the Fairtrade Premium.
-------------	---

Guidance: This will provide greater transparency on the calculation of the Fairtrade Minimum Price and/or the market price, and the Fairtrade Premium.

4.1.4 **NEW** Fairtrade contracts for conveyors

Applies to: Fairtrade conveyors

Core	If you are a conveyor, you sign a Fairtrade purchase contract with the producer, which includes all elements mentioned in 4.1.2., and additionally the modalities of payment of the price differential (if applicable) and Fairtrade Premium, including the timelines, and the system of reporting.
-------------	--

4.1.5 **NEW** Quarterly reporting by conveyors

Applies to: Fairtrade conveyors

Core	You send to the producer, on a quarterly basis, a report including, for each purchase contract, the exact volumes that have been sold, the price differential (if applicable) and Fairtrade premium due, and FLO ID of the buyer it was sold to.
-------------	---

Guidance: The intent of this requirement is to improve the transparency of Fairtrade sales, to enable the producer to know better when and to whom its products have been sold and when to expect a Fairtrade premium payment. The frequency of reporting can also be defined differently, upon mutual agreement between producer and buyer.



4.1.6 Honouring contracts

Applies to: Fairtrade payers and conveyors	
Core	You ensure that all elements of the transaction fixed in the contract are honoured, unless you and the other party agree to a change. If you become aware that exceptional and unforeseen circumstances prevent you from buying the volume stated in the contract, you promptly notify the supplier and actively seek a solution.
Guidance: In cases one party is not able to fulfil the contract due to exceptional and unforeseen circumstances the producer and buyer need to both demonstrate to the certification body that they are actively seeking to reach contract resolution.	

4.1.7 **NEW** Long-term commitments

Applies to: All traders	
VBP	You have a long term commitment with the producer or with your suppliers, so they can in turn have a long term contract with producers.
Guidance: The intent is to promote long-term relationships and to enable producers to plan. In this context long term means 2 years or more.	

4.1.8 **NEW** Tripartite contracts with producers

Applies to: Fairtrade conveyors and Fairtrade payers	
VBP	You sign a tripartite contract between the producer, the price and premium payer, and yourself, or you share with the producer the contract that you have with the Fairtrade payer.
Guidance: The intent is to provide better transparency of Fairtrade operations and allows the producer to know the conditions under which the Fairtrade product is sold.	

4.2 Price and Fairtrade Premium

Intent: To ensure that the price producers receive for their Fairtrade products will enable them to cover their costs of production and invest in the sustainability of their businesses and their communities.

Price of Fairtrade products

Intent: To ensure that producers receive at least prevailing market prices, and at least a Fairtrade Minimum Price (when applicable), that will act as a safety net aiming at covering their costs of production.

For most products, producers benefit from a Fairtrade Minimum Price. For some products only the market price applies.



4.2.1 Payment and agreement on market price

Applies to: Fairtrade payers and conveyors

Core You **pay** at least the relevant market price to the producer (or the conveyor if applicable). In case the relevant market price is below the Fairtrade Minimum Price (if it exists), then the Fairtrade Minimum Price applies (see requirement 4.2.2).

The relevant market price is the price that prevails on the non-Fairtrade market for equivalent products.

You **agree** with the producer on the source of information for the market price. If available, you **use** the market price reference indicated in the product standard.

If the price you pay for the Fairtrade product significantly deviates from the relevant market price, you **are able** to provide a rationale/justification.

Guidance: Sources of information for the market price can be, for example, official prices set by the national government, international market price references, a publication by a neutral source of market price averages, or agreements/contracts with other clients/suppliers for a similar time period (if and when required).

4.2.2 Payment of Fairtrade Minimum Price

Applies to: Fairtrade payers

Core You **pay** at least the Fairtrade Minimum Price for the Fairtrade product, as defined in the Fairtrade pricing database, to the producer (or to the conveyor, if applicable).

The Fairtrade Minimum Price is an absolute minimum. Discounts for quality **cannot be made** on the minimum price.

NEW Fairtrade Minimum Prices **apply** to contracts signed after the date of validity indicated in the pricing database. Contracts signed prior to that date are to be honoured at the price defined in the contract.

Guidance: Fairtrade Minimum Prices are listed in the pricing database, which is published on the Fairtrade website (<https://www.fairtrade.net/standards/price-and-premium-info.html>).

Fairtrade Minimum Prices are set at the level of the producer organization, not at the level of individual producers (such as members of a small producer organization).

4.2.3 Price adaptation to different levels in the chain

Applies to: Fairtrade payers and conveyors

Core In case the Fairtrade Minimum Price is set at a different level in the supply chain (different product, form, different incoterm), than the one you are buying at, then you **adjust** the Fairtrade Minimum Price accordingly. The calculations **are** transparent and reflect real costs.

In the same way, in case the producer is responsible for some additional costs that are NOT included in the Fairtrade Minimum Price (e.g. packing), then you **take** them into account when calculating the Fairtrade Minimum Price. Then the applicable Fairtrade Minimum Price is the Fairtrade Minimum Price plus the costs that the producer is responsible for.



Guidance: For example, if you buy the Fairtrade product at EXW level and the price is set at FOB level, then you may only deduct real export costs.

Likewise, if for example, a producer packs a product and the packing costs are not included in the Fairtrade Minimum Price, then you must add the packing costs to the Fairtrade Minimum Price.

4.2.4 Price for domestic sales

Applies to: Fairtrade payers in case of domestic sales

Core	<p>If you are buying Fairtrade products from producers for sale within the producer country, then you pay at least the Ex Works Fairtrade Minimum Price, if it exists.</p> <p>In case there is only a FOB Fairtrade Minimum Price available, then you may deduct real transport and export costs from the price to calculate the Fairtrade Minimum Price at the level at which the producer sells.</p>
-------------	--

4.2.5 Price for producer-processed products

Applies to: Fairtrade payers that buy a processed product from a producer

Core	<p>If you are buying a processed product from a producer and a Fairtrade Minimum Price only exists for the raw product, then you take into account the producer’s processing costs and processing ratio in the calculation of the price of the processed product. This price covers at least the Fairtrade Minimum Price of all Fairtrade inputs and the processing costs.</p> <p>This requirement does not apply if a Fairtrade Minimum Price is available for that processed product for the producer country. In that case, the Fairtrade Minimum Price and Premium for the processed product applies, as a minimum.</p>
-------------	--

4.2.6 Price differential for conveyors

Applies to: Fairtrade conveyors

Core	<p>You pay the producer the price differential (difference between the Fairtrade Minimum Price and the price at which you initially bought the product from the producer) in case the Fairtrade Minimum Price is higher.</p>
-------------	---

Guidance: The value of the Fairtrade Minimum Price might need to be adjusted if it is set at a different level to the one you are buying at (see 4.2.3).



Fairtrade Premium

Intent: To ensure that producers receive a Fairtrade Premium in addition to the price of their product, to make social or economic investment in their business or their community.

4.2.7 Payment of Fairtrade Premium by payers

Applies to: Fairtrade payers	
Core	You pay the relevant producer (or the conveyor, if applicable) a Fairtrade Premium for the Fairtrade product, on top of the price of the Fairtrade product.
<p>Guidance: The premium value for each Fairtrade product is defined in the pricing table, on the Fairtrade website (https://www.fairtrade.net/standards/price-and-premium-info.html).</p> <p>NEW Fairtrade Premiums apply to contracts signed after the date of validity indicated in the pricing database. Existing contracts are honoured at the Fairtrade Premium amount defined in the contract.</p> <p>Discounts cannot be made from the Fairtrade Premium payment. The Fairtrade Premium comes on top of the price of the Fairtrade product.</p> <p>Rules for payment apply differently to different types of Fairtrade producers and are as follows:</p> <ul style="list-style-type: none"> • For small producer organizations the payment is made to the small producer organization. • For hired labour set-ups, the payment is made to the Fairtrade Premium Committee of the hired labour company. • For contract production set-ups, the payment is made to a separate account for which the Promoting Body or its nominee is responsible. • By derogation for all producer set-ups, payment may also be made to another agreed third party with the written permission of the small producer organisation, the Fairtrade Premium Committee or the Promoting Body. 	

4.2.8 Transfer of Fairtrade Premium by conveyors

Applies to: Fairtrade conveyors	
Core	<p>You pay the Fairtrade Premium to the producer, if the Fairtrade Premium is conveyed via your company.</p> <p>In case the Fairtrade Premium you receive from the Fairtrade payer was set for a different product form than the one you are buying, you apply a conversion ratio in order to calculate the premium due to the producer. Calculations made need to be fair, transparent and shared with the producer.</p> <p>No discounts are allowed to be made from the Fairtrade Premium payment.</p>
<p>Guidance: When a conveyor is involved in a supply chain, the Fairtrade Premium is either paid directly by the Fairtrade payer to the producer, or via the Fairtrade conveyor. This requirement does not apply in case the Fairtrade payer pays the Fairtrade premium directly to the producer.</p>	

4.2.9 Fairtrade Premium for producer-processed products

Applies to: Fairtrade payers that buy a processed product from a producer	
Core	If you are buying a processed product from a producer, and the Fairtrade premium is only defined for the raw product, then you pay a premium amounting to the sum of premiums of all of the Fairtrade product inputs.



4.3 Timely payment

Intent: to ensure swift payment, while taking into account cost efficiencies of transactions.

4.3.1 Timely payment of Premium and price by payers

Applies to: Fairtrade payers	
Core	You pay the producer (or the conveyor, if applicable) the price and/or the Fairtrade Premium for the Fairtrade products in a timely manner. <i>Please refer to the product standards for specific timelines.</i>

4.3.2 **NEW** Timely transfer of Premium and price differential by conveyors

Applies to: Fairtrade conveyors	
Core	You pay the price differential (if applicable) and the Fairtrade Premium to the producer no later than 15 days after receipt of payment from the Fairtrade payer. A different timeframe can be agreed in writing between you and the producer, in which case the payment must be made by no later than 30 days after the end of each quarter.
Guidance: A price differential might come into play in case the Fairtrade Minimum Price is higher than the price at which the conveyor initially bought the product from the producer. You then must convey to the producer the difference between the Fairtrade Minimum Price and the price paid, once the payment has been received from the Fairtrade payer.	

4.4 Access to finance

Intent: To help small producer organizations gain access to finance, in particular pre-finance to enable them to purchase from their members, but also to cover other types of financial needs.

4.4.1 Pre-financing Fairtrade contracts

Applies to: First buyers	
Core	<p>You pre-finance the payment of the Fairtrade contracts, or facilitate that this is done via a third party, to enable small producer organizations to purchase the products from their members.</p> <p>You do not have to follow the requirement if:</p> <ul style="list-style-type: none"> • there is a proven high risk (e.g. risk of default of the contract, of non-repayment or of important quality problems); • the producer declines this pre-finance in a verifiable way; or • this is not legally allowed in the country you are operating in. <p>You do not put pressure on the producer to decline your offer of pre-finance, for instance, you do not make it a condition for signing a contract that the producer declines the pre-finance offer.</p> <p><i>Please see product standards for specific details.</i></p>



Guidance: The pre-finance covers the period starting from payments by the producer organization to member-farmers for the crop received, up to the payment by the first buyer to the producer organization for fulfilment of the contract.
A third party can either be a third party lender or another trader in your supply chain.

4.4.2 Provision of pre-finance

Applies to: First buyers that provide pre-finance

Core	<p>If you provide pre-finance directly, you and the producer must agree in writing on the following:</p> <ul style="list-style-type: none"> • Amount of the pre-finance, in line with the product standards • Duration of the pre-finance, in line with the product standards • Payment terms • Interest charges, if any • Other charges, if applicable • Consequences in case of quality problems and/or non-delivery of product
-------------	--

Guidance: The timing of pre-finance should coincide with the expected cash payments to member-farmers, and may involve several payments following the harvest cycle. It is best practice to offer conditions that are more beneficial than those from local money lenders.

4.4.3 **NEW** Facilitation of pre-finance

Applies to: First buyers that facilitate pre-finance

Core	<p>If you facilitate pre-finance via a third party lender, you take all actions that are needed to achieve effective facilitation, such as:</p> <ul style="list-style-type: none"> • act as a reference to the lender on behalf of the producer; • confirm that the Fairtrade contract is valid and can be used as collateral for providing pre-finance to the producer; and • agree with the producer on how payment of the contract will be made (either to the producer or the third party lender).
-------------	---

4.4.4 **NEW** Interest free pre-finance

Applies to: First buyers

VBP	You provide or facilitate pre-finance at zero interest rate.
------------	---



4.4.5 **NEW** Access to other types of finance

Applies to: All traders	
VBP	<p>You provide or facilitate access, directly or through a third party, to credit (seasonal, harvest or in-kind or other types that are not the pre-finance of contracts) or loans for investment in order to respond to the financial needs of the producer, under the following conditions:</p> <ul style="list-style-type: none"> • The financial need must be defined by the producer. • You agree with the producer and document transparently the terms and conditions of the credit or loan (including the amount, duration, repayment instalments and interest charges).
<p>Guidance: "Facilitate" is described in requirement 4.4.3. It is best practice to offer conditions that are more beneficial than local money lenders.</p>	

4.5 Sourcing and market information for planning

Intent: To ensure producers can better understand the market prospects and better estimate the volume that they will be able to sell as Fairtrade, so that they can manage their business and their Fairtrade Development plan more effectively.

4.5.1 Sourcing plans for producers

Applies to: Fairtrade payers and conveyors	
Core	<p>You provide a sourcing plan to each producer (if you buy directly from them), or the conveyor (in case a conveyor is involved) that you plan to buy from. <i>Please refer to the product standards for the specific requirements.</i></p>
<p>Guidance: At minimum, the sourcing plan is a realistic estimation of future purchases. If these are difficult to plan this should be made clear in the sourcing plan but the requirement still applies. You are encouraged to contact your buyers to enable you to have a more realistic estimation.</p>	

4.5.2 **NEW** Sourcing plans for other traders

Applies to: All traders	
VBP	<p>You provide a sourcing plan to your immediate supplier.</p>
<p>Guidance: At minimum, the sourcing plan is a realistic estimation of future purchases. If these are difficult to plan this should be made clear in the sourcing plan but the requirement still applies. You are encouraged to contact your buyers to enable you to have a more realistic estimation. This voluntary best practice applies to traders who do not buy directly from producers, but further down the supply chain. For traders buying directly from producers, the requirement 4.5.1 applies.</p>	

4.5.3 **NEW** Market information for producers

Applies to: All traders	
--------------------------------	--



VBP	You provide relevant market information to the producer on a regular basis, to enable the producer to better understand the market context and make informed business decisions.
Guidance: Market information can be, for example: market trends, quality specification, supply and demand, customer expectations, information about the final producer and its destination market, or any information requested by the producer. You are encouraged to contact your buyers to enable you to provide better information.	

4.6 Sharing risks

Intent: To ensure that quality issues are dealt with in a transparent and equitable way.

4.6.1 Quality claims

Applies to: First buyers	
Core	Quality claims must be documented in full detail and communicated to the producer as soon as they are identified. Please see product standards for further details. You do not make quality claims for quality problems generated beyond the responsibility of the producer.

4.7 Capacity building

Intent: To encourage traders to provide additional support to producers, beyond the commercial transaction, in order to contribute to their development and empowerment.

4.7.1 **NEW** Supporting producers and workers' priorities

Applies to: All traders	
VBP	You support producers' or workers' Fairtrade development plan or Premium plan, or provide support for other operational, production or organizational capacity building activities that producers or workers chose.
Guidance: This contribution must be in addition to the Fairtrade Premium paid to the producer or to the workers. Areas of support must be chosen by producers/workers. They can include, but are not limited to, production techniques, product quality, productivity, storage techniques, value-addition, income diversification, market diversification, business and financial management, risk management, farming practices, internal management systems, business development, or training for workers or the Premium Committee. It can also be the payment of a higher Fairtrade Premium. Your support can either be direct or through a partnership. It can be in the form of funding, training, facilitation of partnerships or other ways.	

4.7.2 **NEW** Sourcing from vulnerable groups

Applies to: All traders	
VBP	You source Fairtrade products from vulnerable producer organizations.
Guidance: Vulnerable producer organizations are understood as those with limited market access because, amongst other reasons, they are producers in the early stages of development/organization, belong to an ethnic minority or women's groups, they are very small organizations, or producers in post-conflict/catastrophe affected areas or in least developed countries (LDCs).	



4.7.3 **NEW** Market liaison for producers

Applies to: All traders	
VBP	You act as a market liaison for the producers you source from.
Guidance: Being a market liaison could mean, but is not limited to, offering market and commercial development services for the benefit of the producer, facilitating contact between the producer and another trader for the benefit of a NEW market opportunity for the producer, or facilitating the producer’s participation at a trade fair.	

4.8 Trading with integrity

Intent: To ensure that there is a mechanism to sanction unfair trading practices in Fairtrade supply chains.

Unfair trading practices mostly occur in cases of imbalance between trading partners, which can happen anywhere in the chain but most frequency at the expense of producers. This standard includes requirements that try to tackle some unsound trading practices directly, with, for example, the emphasis on written contracts. However this standard cannot cover all possible situations where unfair trading practices may happen. The purpose of this section is therefore to provide the certification body with the capacity to sanction other practices that have been found to create unfair competition between Fairtrade actors.

4.8.1 **NEW** Unfair trading practices

Applies to: All traders	
Core	Fairtrade does not accept unfair practices that clearly damage producers’ or other traders’ capacity to compete or the imposition of trading conditions on suppliers that would make it difficult for them to comply with Fairtrade standards. There are no indications that you engage in such practices.
Guidance: The EU Green Paper on unfair trading practices describe them as “practices that grossly deviate from good commercial conduct, are contrary to good faith and fair dealing and are unilaterally imposed by one trading partner on another”. Unfair trading practices refer to situations of abuse of a relative dominant position and/or abuse of economic dependency, when a stronger party imposes unfair conditions to an economically dependent (and thus weaker) party. Some examples of such practices are:	
<ul style="list-style-type: none"> • Abusive contract terms such as bonded contracts or exclusivity contracts (unless clearly beneficial to the other party) and non-competition clauses. • Generally disadvantageous contracts imposed by abusing the position of creditor. • Excessive transfer of costs or risks to its counterpart such as demanding prices below costs or charging fees for services that are not demanded or are above value. • Misuse of unspecified, ambiguous or incomplete contract terms. • Sudden unfair termination or disruption of a commercial relationship, used as a means to bully a contracting party. • Misuse of confidential information. • Interfering with partner’s business such as poaching members from producer organizations or otherwise attempting to weaken existing organizations. 	



ANNEX 1 Fairtrade Payer and Conveyor

The Fairtrade Trader Standard defines to whom the requirements are applicable to. Some are applicable to Fairtrade payers, others to conveyors.

The intent of the table below is to explain, for each product category, which trader in the supply chain acts as the Fairtrade payer and in which cases a trader may act as a conveyor. Traders identified as Fairtrade payers have to comply with the requirements applicable to Fairtrade payers. Those identified as conveyors will have to comply with the requirements applicable to conveyors.

A Fairtrade payer is the trader who is responsible for paying at least the Fairtrade minimum price and the Fairtrade premium to the producer, and to report to the certification body.

In general, the first buyer is the Fairtrade price and premium payer.

But in some product categories, where the price is set at FOB level, when exporters are involved, the importer is the price and/or premium payer, and the exporter acts as a price and/or premium conveyor.

Fairtrade conveyor are buyers who buy directly from the producer, buy Fairtrade products under Fairtrade conditions, except that they pay the price differential (i.e. the difference between the Fairtrade minimum price and the price already paid, if applicable) and the Fairtrade premium only once they have received it from the Fairtrade payer.

Scenarios differ from one product category to the other, according to the specificities of the sector, as presented in the table below.

Product category	Who is the price and premium payer:
Cane sugar	The buyer of the Fairtrade sugar is by default the Fairtrade premium payer. A different arrangement may be made, provided it is agreed with all parties involved.
Cereals	<p>Quinoa For quinoa (where the Fairtrade Minimum Price is set at FOB level only), the importer is the price and premium payer. If the producer sells quinoa to a processor/exporter, who sells to an importer, the processor/ exporter acts as a Fairtrade price and premium conveyor and the importer acts as the Fairtrade payer.</p> <p>Rice For rice from small producer organizations, the first buyer (the mill) is by default the price and premium payer. But the first buyer may act as a price payer and premium conveyor and pass on the responsibility for premium payment to the next buyer, in which case the next buyer becomes premium payer. For rice from contract production, the Promoting Body is the price payer and premium conveyor, and the next buyer is the premium payer.</p>



Product category	Who is the price and premium payer:
Coffee	<p>If the producer sells directly to an importer, the importer is the price and premium payer.</p> <p>If the producer sells coffee (parchment or beans) to a processor/exporter, who sells to an importer, the importer is the price and premium payer, and the exporter is the price and premium conveyor.</p> <p>In all other cases, the first buyer is the price and premium payer.</p>
Cocoa	<p>If the producer sells directly to an importer, the importer is the price and premium payer.</p> <p>If the producer sells cocoa beans to an exporter, who sells to an importer, the exporter acts as a price and premium conveyor. The importer is the price and premium payer.</p> <p>In the case of integrated chains, where the exporter and the importer belong to the same company, the exporter is the price and premium payer.</p>
Fibre crops – Cotton	<p>If the producer is a SPO, the first buyer is the Fairtrade price and premium payer.</p> <p>If the first buyer is a ginner, buying seed cotton from producers, it may act as a conveyor. The next buyer becomes the price and premium payer.</p> <p>If the producer is a contract production set-up, the Promoting Body is the Fairtrade price and premium payer. The Promoting Body may also act as a premium conveyor, in which case the next buyer is the Fairtrade premium payer</p>
Flowers and plants	<p>The importer is the Fairtrade price and premium payer.</p>
Fresh fruit	<p><i>Fruit for export:</i></p> <p>The first buyer is by default the price and premium payer.</p> <p>If the producer sells fruit to an exporter, who sells to an importer, the exporter may act as premium conveyor. The importer then becomes the premium payer.</p> <p><i>Applicable when the producer sells fruit for processing:</i></p> <p>The first buyer is by default the price and premium payer.</p> <p>The processor may act as a premium conveyor, the buyer of the processed fruit then becomes the premium payer.</p> <p>A special rule exists for orange juice and oranges for juice. Please check the product standard.</p>
Fresh vegetables	<p>The first buyer is by default the price and premium payer.</p> <p>If the producer sells vegetables to a processor/exporter, then the processor/exporter may act as a conveyor. The importer then becomes the price and premium payer.</p>
Gold	<p>The first buyer buying from the ASMO is by default the price and premium payer.</p> <p>If the producer sells gold to a processor/exporter, then the processor/exporter may act as a conveyor.</p>



Product category	Who is the price and premium payer:
Herbal teas and herbs and spices and aromatic crops	The first buyer is by default the price and premium payer. If the producer sells herbs or spices to a processor/exporter, then the processor/exporter may act as a conveyor. The importer then becomes the price and premium payer.
Herbs and herbal tea	The first buyer is by default the price and premium payer. If the producer sells herbs or herbal tea to a processor/exporter, then the processor/exporter may act as a conveyor. The importer then becomes the price and premium payer.
Honey	The first buyer is by default the Price and Premium payer. If the producer sells honey to an exporter, who sells to an importer, the exporter may act as a price and premium conveyor. The importer then becomes the price and premium payer.
Nuts	The first buyer is by default the price and premium payer. If the producer sells nuts to a processor / exporter, the processor / exporter may act as price and premium conveyor, and the next buyer then becomes the price and premium payer. For cashew nuts from Africa, a special rule exists. Please check the product standard.
Oilseed and oleaginous fruit	The first buyer is by default the price and premium payer. If the producer sells oilseed or oleaginous fruit to a processor, the processor may act as a price and/or premium conveyor. The buyer of the oil then becomes the price and premium payer.
Prepared and preserved fruit and vegetables	<i>Applicable when the producer sells prepared and preserved fruit or vegetables:</i> The first buyer is the price and premium payer. If the producer sells prepared and preserved fruit or vegetables to an exporter, the exporter may act as price and premium conveyor. The importer then becomes the price and premium payer.
Rotational crops for amaranth, herbs and spices, soybean, sesame, peanuts, fresh vegetables, edible roots and tubers and pulses for which Fairtrade Prices exist.	Only for cotton and rice producers under contract production in India and Pakistan: The Promoting Body (PB) is the price payer and the premium conveyor. In cases where the PB is not purchasing the rotational crops from the producer, the first buyer can be the price and premium payer, if it is favourable for the producer and is agreed in writing by all parties involved.
Tea(Camellia Sinensis)	The first buyer is by default the Fairtrade price and premium payer. If the producer sells tea to an exporter, the exporter may act as price and premium conveyor. The importer then becomes the price and premium payer.



Product category	Who is the price and premium payer:
Sports balls	The first buyer of the sports balls is the premium payer. If the producer sells sports balls to an exporter, the exporter may act as price and premium conveyor. The importer then becomes the price and premium payer.
Vegetables pulses potatoes	incl. and The first buyer is the price and premium payer. If the producer sells vegetables to an exporter, the exporter may act as price and premium conveyor. The importer then becomes the price and premium payer.



FAIRTRADE
INTERNATIONAL

[Back to Contents](#)



FAIRTRADE
INTERNATIONAL