

Fairtrade Standard for Fibre Crops for Small Producer Organizations and Traders

**Also applicable to Contract Production for Cotton
in India and Pakistan**

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

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Introduction

How to use this Standard

Refer to the generic standard for Small Producer Organizations as a separate document as updated by Fairtrade International on its website.

Please note that the Generic Fairtrade Trade Standard also applies. In cases where the product specific standard below differs from the Generic Fairtrade Trade Standard, the requirements presented in this Standard apply.

Application

The Fairtrade Standard for Fibre Crops for Small Producer Organizations and for Contract Production in India and Pakistan has been revised according to the outcome of the Cotton Price and Standard Review. The new standards apply from 15. October 2011.

Monitoring of Amendments

Fairtrade International reserves the right to amend Fairtrade Standards in accordance with Fairtrade International's Standard Operating Procedures (http://www.fairtrade.net/setting_the_standards.html). Requirements of Fairtrade Standards may be added, deleted, or otherwise modified. Those who have to meet Fairtrade Standards are required to monitor pending and finalized revisions on Fairtrade International's website.

Fairtrade Certification ensures the compliance with Fairtrade Standards. Revision of Fairtrade Standards may lead to a change in the requirements of Fairtrade Certification. Those who wish to be certified or have already undergone certification are required to monitor pending and finalized certification policies and compliance criteria on the certification body's website <http://www.flo-cert.net>.

Change history

| Version number | Date of publication | Changes |
|-----------------|---------------------|---|
| 01.05.2011_v1.0 | October 2011 | Introduction of the concept of Fairtrade eligible purchases (requirement 4.1.2), introduction of different Fairtrade minimum prices according to staple length (requirement 4.3.1. and 4.3.2), amendment of the payment terms (requirement 4.3.4) and introduction of rules for secondary products (4.3.5 and 4.3.6). |
| 01.05.2011_v1.1 | 16.07.2014 | Introduction of new requirements to cover the Fairtrade Sourcing Program in section 2.1 Traceability for Cotton, and in section 2.4. |

1. General Requirements

Intent and scope

All operators taking ownership of Fairtrade certified products and/or handling the Fairtrade Price and Premium are audited and certified.

This chapter applies to the certificate holder.

This standard covers the purchase and sale of seed cotton.

For the sections under certification and traceability (only), the standard also covers any processed products and derivatives.

The standard also covers secondary products and their derivatives. The definition of secondary products is included in Annex 1 of the Generic Trade Standard.

A non-exhaustive list of products fitting the secondary products definition is published on the Fairtrade International website.

1.1 Certification

There are no additional requirements.

1.2 Labelling and Packaging

There are no additional requirements.

1.3 Product Description

Seed Cotton is the seeds and fibre of all commercially-grown species of the cotton plant: *Gossypium hirsutum* (upland cotton), *Gossypium herbaceum* and *Gossypium arboreum* as well as *Gossypium barbadense* (e.g. PIMA, Giza).

1.4 Other product requirements

There are no additional requirements.

2. Trade

Intent and scope

This chapter outlines the requirements that you need to comply with when you sell Fairtrade products.

This chapter applies to the Fairtrade product.

2.1 Traceability

The following requirement (2.1.1) applies only to all activities carried out by supply chain operators under the Fairtrade Sourcing Programme (FSP) model:

2.1.1 All Cotton supply chain operators under the FSP model must report information about their purchases and sales of equivalent volumes of Fairtrade cotton to the Fairtrade system.

Guidance: The exact information to be provided will be defined and made available to the operator by Fairtrade and/or the certification body.

The following requirements (2.1.2. and 2.1.3.) apply only to spinners for their activities carried out under the FSP model:

2.1.2 A purchase contract for the corresponding Fairtrade cotton lint must be signed with the ginner before the Fairtrade equivalent yarn is sent out for delivery.

2.1.3 The physical delivery of the Fairtrade cotton lint must take place before or at the latest 6 months after the Fairtrade equivalent yarn has been sent out for delivery.

Guidance: The intent of the Standard is that the input is delivered to the premises of the spinner before the output is sent out for delivery to the customer of the spinner. However, to reduce lead times, in the FSP model, spinners are allowed to physically receive the lint after the yarn has been physically sent out for delivery, but only within a 6-month timeframe.

2.2 Product Composition

2.2.1 Product Sourcing

Except where specifically provided in this standard, all cotton in Fairtrade Cotton products must be sourced originally from certified producers.

Where there is insufficient availability of Fairtrade cotton combers, it is permitted to make cotton wool pads out of up to 20% non-Fairtrade cotton combers, provided that the manufacturer subsequently purchases an equivalent volume of Fairtrade cotton and uses it in the manufacture of a non-Fairtrade product. Any such substitution must be clearly reported in the quarterly flow of goods report.

As the FSP model does not relate to the composition of finished products, this requirement does not apply to FSP operators.

2.3 Contracts

There are no additional requirements.

2.4 Requirements for operators in the cotton chain

Fairtrade International requires that operators always abide by national legislation unless that legislation does not meet internationally recognized standards and conventions, in which case the higher standards prevail. However, if national legislation sets higher standards on an issue than Fairtrade International, it supersedes Fairtrade Standards.

The following requirements (2.4.1 and 2.4.2) do not apply to operators from the spinning stage onwards in supply chains operating only under the FSP model, as this model concentrates on increasing the flexibility around the sourcing of Fairtrade cotton lint. Please note that ginner operators operating under the FSP model still need to comply with these requirements.

2.4.1 Demonstrate efforts to comply

Every operator in the supply chain that takes ownership of Fairtrade cotton and uses it in the processing and/or manufacturing of Fairtrade products until the point of licensing must demonstrate efforts to comply with the following ILO Conventions before it can be approved by the certification body to start processing and/or manufacturing Fairtrade cotton.

- Hours of work [1919]
- Forced Labour [1930]
- Freedom of Association and Protection of the Right to Organize [1948]
- Right to Organize and Collective Bargaining [1949]
- Equal remuneration [1951]
- Abolition of Forced Labour [1957]
- Discrimination (Employment and Occupation) [1958]

- Minimum wage fixing [1970]
- Minimum Age Convention [1973]
- Occupational Safety and Health [1981]
- Elimination of the Worst Forms of Child Labour [1999]

Where the operator is using a sub-contractor for processing and/or manufacturing of cotton products (including ginning, spinning, weaving, knitting, CMT, laundry, dyeing and/or embellishment), the operator must demonstrate how the sub-contractor has made progress towards compliance with the ILO conventions in 3.2.1 before the sub-contractor can be approved by the certification body to start processing and/or manufacturing Fairtrade cotton.

The operator must re-submit its demonstration of efforts every two years.

2.4.2 Indicators

The following indicators of compliance with section 2.4.1. may be applied:

1. The operator has provided a WFTO membership certificate.
2. The operator has provided an SA 8000 certificate.
3. The operator has provided documentary proof that the production unit involved participates in one of the following initiatives: Ethical Trading Initiative, Fair Wear Foundation, Fair Labour Association, Workers' Rights Consortium.
4. The operator has provided a letter of endorsement of a union accredited by ICFTU.
5. The statutes of the applicant operator prove that the applicant operator is owned by the workers.
6. The operator has provided a report from a third party documenting a social audit conducted against the ETI Base Code (see attachment 1) or an equivalent code not more than one year old. The period between social audits shall not exceed two years, demonstrated by submission of a new audit report. The following provisions apply:
 - Minimum criteria are set (see attachment 2). If any non-conformity with this criteria is detected the application or continuation of approval will be refused.
 - The auditor must be independent of the operator audited and must be experienced in social auditing against the benchmarked code.
 - If the audit was completed against a code other than the ETI Base Code, this Code of Conduct must match the requirements set out by the ETI Base Code. The certification body will conduct a comparative analysis to determine whether the code or standard is equivalent to the ETI Base Code.
 - If the audit reports non-conformities, then the operator must submit an undersigned corrective action plan at the same time. The corrective action plan must be signed by the auditor as well as the management of the company, mentioning a timeframe for the implementation of the corrective actions and a responsible person for this implementation.
 - The audit methodology should be consistent and clearly explained in the report, which shall include amongst other things details on: the audit team, agenda, number of days on site, number of interviews conducted and involvement of management and workers representatives in the audit process.

If required, the services of the certification body can be hired for the external inspection.

3. Production

Intent and scope

This chapter outlines the ethical and sustainable production practices that are behind every Fairtrade product.

This chapter applies to the Fairtrade product.

3.1 Labour Conditions

3.1.1 In case of women growers, it has to be ensured that payments are given to the woman directly (not to the husband).

4. Business and Development

Intent and scope

This chapter outlines the requirements that are unique to Fairtrade and intends to lay the foundations for producer empowerment and development to take place.

This chapter applies to the certificate holder.

4.1 Sustaining Trade

4.1.1 Sourcing Plans must cover each harvest. Sourcing plans must be renewed a minimum of three months before they expire.

4.1.2 Buyers of seed cotton may buy seed cotton as Fairtrade eligible¹, and sell the lint or derived products as Fairtrade provided that the conditions below are met:

- To be Fairtrade eligible, the seed cotton has to have been produced as Fairtrade.
- When the buyer of Fairtrade eligible seed cotton sells cotton lint or derived products as Fairtrade, the buyer must notify the supplying producers (SPO or PEB) within 15 days of the sale. The buyer must inform each of the supplying producers of the volumes of their Fairtrade eligible seed cotton sold as Fairtrade, of the corresponding Fairtrade price adjustment (the difference between the market price and the Fairtrade Price, if applicable) and of the Fairtrade Premium due.
- When the buyer of Fairtrade eligible seed cotton sells only a certain percentage of the total Fairtrade eligible seed cotton as Fairtrade, then this percentage is applied to each producer's supplied volume, and the Premium and price adjustment (if applicable) are calculated pro rata. If the second buyer (the buyer of the cotton lint or derived product) requests in writing for cotton from a specific producer, the Fairtrade price adjustment and Premium is to be paid to that specific producer.

Guidance: For example: 2 producers supply their Fairtrade eligible seed cotton to the same buyer, whereby producer A supplies 100 MT and producer B supplies 200 MT. (The second buyer did not request in writing for cotton from a specific producer). Out of the total 300MT, the buyer only sells 30 MT on as Fairtrade (10% of the total Fairtrade eligible volume supplied). Then it is considered that 10% of each producer's volume has been sold as Fairtrade. Producer A will receive Premium and price adjustment calculated on 10MT (10% of 100 MT) and producer B on 20 MT (10% of 200 MT).

- The buyer of Fairtrade eligible seed cotton must transfer the corresponding Fairtrade Premium and price adjustment to producers according to requirement 4.3.4.

4.2 Pre-finance

4.2.1 On request from the producer, the Fairtrade payer must make up to 60% of the value of the contract available as pre-finance to the producer at any time after signing the contract. The pre-finance must be made available at least six weeks prior to shipment.

Contract Production operators should refer to the Contracts chapter A.2.3 of the Contract Production Standard.

¹ Fairtrade eligible means a product is produced in compliance with Fairtrade Standards, but the buyer buys it under normal conditions. The Fairtrade price adjustment and Premium are only paid if the buyer sells the product as Fairtrade.

4.3 Pricing

Fairtrade Minimum Prices and Fairtrade Premium levels for Fairtrade products are published separately to the product standards.

4.3.1 For seed cotton from contract production:

In the case of contract production (in India and Pakistan), the Fairtrade Minimum Price is the Minimum Price paid by the promoting body to the registered producers. The promoting body can deduct Direct Fairtrade Costs amount up to a maximum of EUR 0.04 per kg from the Minimum Price or market price, and pay at least the remaining amount to the individual farmers.

4.3.2 Staple length based Prices for South Asia:

For South Asia, the Fairtrade minimum prices for *Gossypium hirsutum*, *Gossypium herbaceum* and *Gossypium arboreum* set according to staple length categories (see table of Fairtrade Minimum Prices). In the case of India, these categories are based on the classification system defined by the Cotton Corporation of India:

- The Fairtrade Minimum Prices for staple lengths of 25mm and longer refer to Medium Long Staple varieties (25mm to 27mm), to Long Staple varieties (27.5mm to 32mm) and to Extra Long Staple (32.5mm and above).

- The Fairtrade Minimum Prices for staple lengths of 24.5mm and shorter refer to Short Staple varieties (20mm and below) and Medium Staple varieties (20.5mm to 24.5mm).

4.3.3 Payment Terms:

Payment must be made upon receipt of the product.

4.3.4 Late payment:

For contracts involving Fairtrade payers, producers and conveyors, the conveyor must transfer the Fairtrade Premium and the price adjustment (where applicable) within 30 days following the end of each quarter as follows:

By April 30th, transfer of all Fairtrade Premium received in quarter 1,

By July 31st, transfer of all Fairtrade Premium received in quarter 2,

By October 30th, transfer of all Fairtrade Premium received in quarter 3,

By January 31st, transfer of all Fairtrade Premium received in quarter 4 (of the previous year).

For secondary products and their derivatives in the case of cotton:

4.3.5 For secondary products and their derivatives that have been produced in addition to the Fairtrade seed cotton: There are no Fairtrade Minimum Prices defined. The seller and buyer of the product must negotiate the price. A default Fairtrade Premium of 15% of the negotiated price must be paid in addition.

Guidance: An example of a secondary product of seed cotton are the branches of the cotton plant.

Fairtrade International reserves the right to set a Fairtrade Minimum Prices for secondary products and its derivatives in the future.

4.3.6. For products that have been derived from the processing of Fairtrade seed cotton: When the seed cotton has been sold as Fairtrade and the corresponding Fairtrade price adjustment (if applicable) and Fairtrade Premium have been paid, products that have been derived from the processing of this Fairtrade seed cotton can be sold as Fairtrade. There is no additional Fairtrade Minimum Price or Fairtrade Premium to be paid to primary producers for these secondary products.

Guidance: Examples of products derived from the processing of seed cotton (and its derivatives) are cotton seeds, seed oil and cumpers.

The trade of these products needs to follow all relevant requirements of the *Generic Fairtrade Trade Standard* including the *Product Composition* requirements (section 2.2) as well as the *Non-Food Product Composite Policy* as appropriate.

Attachment 1: ETI-Base Code

EMPLOYMENT IS FREELY CHOSEN

There is no forced, bonded or involuntary prison labour.

Workers are not required to lodge "deposits" or their identity papers with their employer and are free to leave their employer after reasonable notice.

FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING ARE RESPECTED

Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively.

The employer adopts an open attitude towards the activities of trade unions and their organisational activities.

Workers representatives are not discriminated against and have access to carry out their representative functions in the workplace.

Where the right to freedom of association and collective bargaining is restricted under law, the employer facilitates, and does not hinder, the development of parallel means for independent and free association and bargaining.

WORKING CONDITIONS ARE SAFE AND HYGIENIC

A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.

Workers shall receive regular and recorded health and safety training, and such training shall be repeated for new or reassigned workers.

Access to clean toilet facilities and to potable water, and, if appropriate, sanitary facilities for food storage shall be provided.

Accommodation, where provided, shall be clean, safe, and meet the basic needs of the workers.

3.5 The company observing the code shall assign responsibility for health and safety to a senior management representative.

CHILD LABOUR SHALL NOT BE USED

There shall be no new recruitment of child labour.

Companies shall develop or participate in and contribute to policies and programmes which provide for the transition of any child found to be performing child labour to enable her or him to attend and remain in quality education until no longer a child; "child" and "child labour" as defined by the ILO.

Children and young persons under 18 shall not be employed at night or in hazardous conditions.

These policies and procedures shall conform to the provisions of the relevant ILO standards.

LIVING WAGES ARE PAID

Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.

All workers shall be provided with written and understandable information about their employment conditions in respect to wages before they enter employment and about the particulars of their wages for the pay period concerned each time that they are paid.

Deductions from wages as a disciplinary measure shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All disciplinary measures should be recorded.

WORKING HOURS ARE NOT EXCESSIVE

Working hours comply with national laws and benchmark industry standards, whichever affords greater protection.

In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every 7 day period on average. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a Premium rate.

NO DISCRIMINATION IS PRACTISED

There is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

REGULAR EMPLOYMENT IS PROVIDED

To every extent possible work performed must be on the basis of recognised employment relationship established through national law and practice.

Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting, sub-contracting, or home-working arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment, nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment.

NO HARSH OR INHUMANE TREATMENT IS ALLOWED

Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation shall be prohibited.

The provisions of this code constitute minimum and not maximum standards, and this code should not be used to prevent companies from exceeding these standards. Companies applying this code are expected to comply with national and other applicable law and, where the provisions of law and this Model Code address the same subject, to apply that provision which affords the greater protection.

Note: The attached ETI Base Code and Principles of Implementation is the current version at the moment of publication of this Standard. Readers are recommended to check the Ethical Trading Initiative website, <http://www.ethicaltrade.org/Z/lib/base/index.shtml>, to ensure they are using the most up to date version.

Attachment 2: Minimum criteria

| Criteria | Comment |
|---|--|
| Employment is freely chosen (ILO Convention 29 and 105; ETI Base Code 1) | Examples of conducts that would contravene the criteria: ² Not paid labour, traffic of persons, workers not being allowed to leave their employer after reasonable notice, workers being forced to sign a black letter, workforce required to lodge deposits. |
| Freedom of association and the right to collective bargaining are respected (ILO Convention 87) | Examples of conducts that would contravene the criteria: Management of the company forbidding this right or putting barrier |

²The examples are presented to illustrate the intention of the criteria and not to be a comprehensive list of possible situations.

| | |
|---|--|
| &ILO Convention 98; ETI Base Code 2) | to the activities of the union |
| Elimination of the worst forms of child labour (ILO Convention 182) | Where child labour is detected the management should commit to put in place a remediation scheme, such as giving access to education to the employed children in order to contribute to their development. Refusing to put in place the remediation scheme into the company will be considered as a non conformity with the minimum criteria. ³ |
| No harsh or inhumane treatment is allowed (ETI Base Code 9.1) | Examples of conducts that would contravene the criteria: Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation” |
| Working conditions are safe and hygienic (ETI Base Code 3.3; 3.4) | Examples of conducts that would contravene the criteria: limited access to food or drinking water, no access to acceptable sanitary facilities and no access to acceptable housing when provided. |

³Considering that the effective elimination of the worst forms of child labour requires immediate and comprehensive action, taking into account the importance of free basic education and the need to remove the children concerned from all such work and to provide for their rehabilitation and social integration while addressing the needs of their families, and recognizing that child labour is to a great extent caused by poverty and that the long-term solution lies in sustained economic growth leading to social progress, in particular poverty alleviation and universal education, and for the purposes of this Convention, the term **the worst forms of child labour** comprises:

- (a) all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour, including forced or compulsory recruitment of children for use in armed conflict;
- (b) the use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances;
- (c) the use, procuring or offering of a child for illicit activities, in particular for the production and trafficking of drugs as defined in the relevant international treaties;
- (d) work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children. (Reference ILO Convention 182).