



**Fair Trade USA**

**Trade Standard**

**Version 1.0.0**

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## Introduction

This document contains the requirements that comprise the Fair Trade USA Trade Standard Version 1.0 and defines the requirements for participation of traders (processors and exporters in the country of origin as well as importers, distributors and manufacturers further along the supply chain) in Fair Trade certification.

### Objective of the Standard

Fair Trade USA's Trade Standard V1.0 (hereafter referred to as "Trade Standard") covers the supply chain partners that buy and sell Fair Trade Certified products sourced from producers certified by Fair Trade USA approved certifiers.

The objective of the Trade Standard is to enable the economic development of Fair Trade producers through their trading partners, and to ensure consumers that the Fair Trade Certified products they buy were grown, harvested and traded in ways that improve lives and protect the environment.

The standard is structured around the following objectives:

1. Economic Development: *Stable business relationships and Pre-Determined Premiums*
  - Fair Trade buyers are reliable business partners for Fair Trade producers and Fair Trade contracts are honored.
  - Fair Trade USA standards require pre-determined community development premiums on every sale.
2. Trade: *Transparency and Benefit Traceability*
  - Fair Trade buyers report their Fair Trade transactions to Fair Trade USA and engage with Fair Trade USA in the auditing and supply chain verification processes.
  - Documentation of Fair Trade transactions allow a sale to be traced back to a purchase – ensuring that only the amount of product that was purchased as Fair Trade Certified is sold as Fair Trade Certified.

### Structure of the Standard

The Trade Standard contains many criteria that apply to all traders across multiple product categories and industries. It also covers the many different roles they may play within the supply chain.

Additionally, the standard addresses the differences in how various agricultural products are grown and traded across industries, and includes requirements specific to certain product categories as well as those specific to traders engaging in certain roles within the supply chain.

### Implementation

In addition to this standard document, Fair Trade USA develops compliance criteria, which are reviewed by the certification body SCS Global Services (SCS). Certification decisions will be made based on compliance with these criteria as established in onsite as well as desk audits conducted by Fair Trade USA, SCS or other certification bodies approved by Fair Trade USA. Some criteria will be identified as "Major" requirements. Non-compliance with a Major requirement may result in a decision to suspend the certification contract until compliance has been ensured, or even deny certification in the program depending on the severity and extent of the Non-Conformity.

The Fair Trade Certification program requires supply chain traceability – meaning that in order to use the Fair Trade logo and claim, all entities involved in the production, processing, manufacturing, and handling of the product must be certified by or registered with Fair Trade USA.

Additional information on implementation, including program prerequisites, a step-by-step description of the certification process, information on certification fees, and a procedure for complaints, appeals and disputes can be found in the Fair Trade USA Certification Manual on the Fair Trade USA website.

### **Standard Development**

Fair Trade USA's Draft Trade Standard V1.0 was available for public comment and stakeholder review from June 2012 until August 2012. Fair Trade USA actively reached out to Fair Trade producers, industry partners, NGOs and advocacy groups, Fair Trade USA reviewed and incorporated this feedback into the Standard, with the help of technical experts including Fair Trade USA board members and SCS. This feedback is public, and can be viewed online at: <http://fairtradeusa.org/certification/standards>.

### **Testing of the Trade Standard**

The Trade Standard will be tested over a two year period, during which input will be collected from a wide variety of stakeholders. For all applications of the Standard, certificates are effective from the date of the certification decision. Certificates are valid for three years, with renewal of the certificate in the fourth year of the audit cycle. Entities previously audited against the Draft Version of this Standard will be audited against the final Version 1.0 of the Standard at the following annual audit.

### **Monitoring of Changes**

Fair Trade USA welcomes commentary and feedback on the Standard at anytime via email to the address on the cover page of this document. Fair Trade USA reserves the right to change the Fair Trade USA Trade Standard V1.0 at any time deemed necessary.

### **Translations**

Spanish, French and Portuguese translations of this Standard will be available as of Q1 2014. In case of any conflict or disagreement between the different versions of the Standard, the English version prevails.

# 1.0 Economic Development (ED)

## 1.1 Fair Trade Price Requirements (PR)

### **ED-PR 1**

Fair Trade Payers pay producers at least the Fair Trade Minimum Price for the product contracted, where it exists, or the relevant market price where no Fair Trade Minimum Price exists. When the relevant market price for a product is higher than the Fair Trade Minimum Price, then at least the relevant market price must be paid. Fair Trade USA publishes information on Fair Trade Minimum Prices, Fair Trade Premiums and relevant market prices on the [Fair Trade USA website](#).

### **ED-PR 2**

Fair Trade Minimum Prices apply at the point that ownership of product is transferred from the producer to the buyer. If Fair Trade pricing is not available at the appropriate Incoterm level or deviations from the Incoterm level are agreed on, it is adapted accordingly. For Small Producer Organizations, Fair Trade Minimum Prices apply to the purchase from the Small Producer Organization, not the individual Small Producers.

### **ED-PR 3**

The producer and the buyer agree on a transparent and traceable form of payment (i.e. bank transfer, letter of credit).

## 1.2 Fair Trade Premium Requirements (FTP)

### **ED-FTP 1**

Fair Trade Payers are responsible for paying the Fair Trade Premium (in addition to the Price). Where applicable, Fair Trade Conveyors are responsible for passing the Fair Trade Premium on to the producer. Rules for payment apply differently to different types of Fair Trade producers, as follows:

- For Small Producer Organizations, payment is made directly to the certified Small Producer Organization.
- For farm workers on large-scale farms, payment is made directly to the account of the Fair Trade Committee of the farm certified against the Farm Workers Standard.
- For Independent Smallholders, payment is made directly to a separate Premium account for which the Market Access Partner and the Fair Trade Committee share responsibility or the Smallholder Organization is responsible for.

### **ED-FTP 2**

Fair Trade Payers make the payment of Fair Trade Minimum Price and Fair Trade Premium no later than 30 days after date of invoice, unless otherwise specified in the compliance criteria for this product. In the case of frequent shipments of the Fair Trade product, payment of Fair Trade Premium to Fair Trade Committees on farms certified against the Farm Workers Standard or Fair Trade Committees or Smallholder Organizations that are a part of the MAP-smallholder partnership certified against the Independent Smallholders Standard is communicated and

made effective monthly. In case of potential late payment of a contract, the Fair Trade Payer is required to promptly notify the seller as soon as possible, but at least one week before the payment date.

### **1.3 Sustaining Trade (ST)**

#### **ED-ST 1**

If the company purchases both certified and non-certified products from the same supplier, the company may not require purchase of non-certified products at disadvantageous terms to the producer as a condition for certified purchases.

#### **ED-ST 2**

(Applicable To Fair Trade Conveyors) At the end of each trading season (at least annually), the Fair Trade Conveyor provides a report to Fair Trade producers that details volumes sold as Fair Trade Certified and Fair Trade Price received at the FOB level, including information on differentials if applicable and exchange rates. The amount of Fair Trade Premium received and conveyed as well as the respective Premium calculations (e.g. conversion rates and processing losses) is also included.

### **1.4 Pre-Finance (PF)**

#### **ED-PF 1**

When a producer requests support for pre-finance against the Fair Trade contract, the Fair Trade Payer either:

- directly provides pre-finance against the Fair Trade contract,

OR

- Supports the producer with securing pre-financing from a third-party lender.

The Fair Trade Payer may deny such a request only by demonstrating, through a third party assessment, that lending to the producer presents a high level of risk of non-repayment or non-delivery.

#### **ED-PF 2**

If the Fair Trade Payer supports the producer with securing pre-financing against the Fair Trade contract through a third-party lender, the following rules apply:

- If the Fair Trade Payer has successfully sourced from the producer in the past, the Fair Trade Payer serves as a credit reference and recommends the producer to third-party lenders as a candidate for loans.
- The Fair Trade Payer confirms to third-party lenders that the Fair Trade contract is valid and can be used as collateral for pre-financing loans to the producer.

- The Fair Trade Payer is willing to funnel payments on Fair Trade contract through third-party lenders.

The Fair Trade Payer is not liable for re-payment of third-party loans.

### **ED-PF 3**

If the Fair Trade Payer directly provides pre-finance against the Fair Trade contract, the following rules apply:

- The producer defines the minimum percentage of pre-financing of the contract value and may request pre-finance for up to 60% of the contract value. The interest charges to the producer do not exceed the Fair Trade Payers current cost of borrowing (including administrative costs).
- Fair Trade Payers make pre-financing available to producer no later than eight weeks before shipping for coffee and no later than six weeks before shipping for all other product categories.
- The Fair Trade Payer documents either a separate pre-finance section within the contract or a separate credit agreement with the producer.
- The terms and conditions of pre-finance against the Fair Trade contract agreed on are documented and transparent to all involved parties (i.e. the producer and Fair Trade Payer or lender).

## **2.0 Trade (TR)**

### **2.1 Basic Requirements (BR)**

#### **TR-BR 1**

The company facilitates both announced and/or unannounced Fair Trade audits carried out by Fair Trade USA approved certifiers and submits timely and accurate reports to Fair Trade USA on its Fair Trade transactions (according to the frequency determined by Fair Trade USA: quarterly, bi-annually or monthly).

### **2.2 Product Sourcing**

#### **TR-PS 1**

The company purchases Fair Trade Certified products from the organizational entity that holds the Fair Trade certificate (not its members, affiliates, or contractors).

#### **TR-PS 2**

Fair Trade Certified products are only sourced from organizations certified through Fair Trade USA approved certifiers.

### **2.3 Physical Product Traceability (PT)**

#### **TR-PT 1**

Unfinished Fair Trade Certified products are not mixed with non-Fair Trade Certified products.

### **TR-PT 2**

Fair Trade products are marked clearly and can be identified as Fair Trade Certified at all stages (i.e. storage, transport, processing, packaging, labeling, handling and sale). These products are also identified as Fair Trade Certified in all related records and documents.

### **TR-PT 3**

Where Fair Trade cocoa, cane sugar, tea or fruit juice is sourced from a certified organization that voluntarily certifies against the physical traceability requirements, the products are identified as physically traceable Fair Trade products in the purchase documents.

### **TR-PT 4**

Processors of cocoa, cane sugar, juice or tea that do not voluntarily comply with physical traceability requirements are required to comply with the following:

- The volumes sold as Fair Trade are equivalent to the volumes bought as Fair Trade (taking into account processing yields and losses).
- The product is of the same type and quality as the input used to process the Fair Trade product (like for like).

### **TR-PT 5**

Processors of fruit juice or tea that do not voluntarily comply with physical traceability requirements ensure that the Fair Trade product and the conventional product are processed in the same site.

## **2.4 Traceability through Documentation (TD)**

### **TR-TD 1**

All Fair Trade Certified products are clearly identified as Fair Trade Certified in purchase and sales documentation (i.e. invoices, delivery notes and purchase orders).

### **TR-TD 2**

Documentation of Fair Trade transactions allows a sale to be traced back to a purchase.

### **TR-TD 3**

**Product Standard Cane Sugar:** Where multiple producers sell Fair Trade cane to one mill/exporter, the mill/exporter keeps delivery notes/tickets listing: the name of the individual cane producer, the producer group of the individual cane producer (where applicable), the volume of cane supplied, and the date of the delivery. The mill/exporter seeks confirmation of the volume of cane supplied by each producer organization (i.e. through the Small Producer Organization/Market Access Partner).



## 2.5 Contracts (CT)

### **TR-CT 1**

Fair Trade Payers and Fair Trade Conveyors sign binding purchase contracts with producers that clearly indicate: date of the contract, agreed volumes, quality, Fair Trade Premium (including organic premium/differential and processing conversion rates if applicable), payment terms, Fair Trade Price (or when and how the Fair Trade Price will be fixed), the party responsible for paying the Fair Trade Price and Premium to the producer, delivery conditions (using incoterms) and an arbitration mechanism.

### **TR-CT 2**

**Product Standard Flowers and Plants:** The requirements regarding contracts do not apply to flowers and plants. For these products, buyers of Fair Trade Certified flowers therefore provide letters of intent to producers; these are considered as contracts between the producer and buyer. At a minimum, letters of intent clearly indicate the quality, price, payment terms, delivery conditions and estimated volumes, cover a period of six months or more and are renewed at least three months before they expire. Final purchase orders are confirmed in writing.

### **TR-CT 3**

**Product Standard Flowers and Plants:** In the first year of a new trade relationship, the Fair Trade Payer purchases at least 50% of the Fair Trade volumes, as indicated in the letter of intent. In subsequent years, at least 75% of the Fair Trade volumes indicated in the letter of intent are purchased.

### **TR-CT 4**

All quality claim procedures are agreed to by seller and buyer in writing. All quality claims are documented.

### **TR-CT 5**

A price may be fixed by mutual agreement for any future delivery date. If the price is not fixed in the contract, both parties have mutually agreed when and how the price will be fixed.

### **TR-CT 6**

The buyer ensures that where it has requested an extension of the shipping schedule beyond the timing of normal commercial practices, the costs of storage, interest, and insurance are paid for by the buyer and detailed in the contract.

### **TR-CT 7**

**Product Standard Coffee:** Purchase contracts are signed on a “price to be fixed” basis. The price fixation is made at the seller’s discretion. An outright priced contract may be used only under the following circumstances:

- buying through auction systems that would invalidate a “price to be fixed” contract, or
- the seller has the coffee in stock at the time of making the contract, or
- the seller and the buyer agree that it is mutually beneficial to have an outright priced contract and jointly agree upon a risk management strategy.

Use of a broker (if needed), is made explicit in the contract between the seller and the buyer and paid for by the party requiring the broker.

#### **TR-CT 8**

**Product Standard Cane Sugar and Tea (Camellia Sinensis):** Systemic retro-certification is allowed only for tea and cane sugar. In other product categories, applications for one-off exceptional retro-certification of a specific shipment must be submitted to Fair Trade USA.

#### **The following requirements apply to systemic retro-certification:**

- The Fair Trade Payer annually notifies the certifier of its intent to utilize the practice of retro-certification.
- The Fair Trade Payer keeps records of the volumes purchased from each of the Fair Trade Certified entities that are eligible for retro-certification.
- The Fair Trade Payer documents all retro-certified tea/ cane sugar purchases. The Fair Trade Payer communicates all retro-certified tea/ cane sugar purchases to Fair Trade Certified entities or Fair Trade Conveyors as well as Fair Trade USA quarterly. This communication includes:
  - Information on the retro-certified product: volumes, product name, quality/characteristics, lot number, date of original purchase of the retro-certified product.
  - Information on the difference between the Fair Trade Price and the purchase price (including information about price calculation) and the amount of Fair Trade Adjustment that will be paid.
  - Information on the Fair Trade Premium calculation and Premium amount.
- The payment of Fair Trade Premium and Fair Trade Adjustment is transferred to the producer (or Fair Trade Conveyor) within 30 days once the quarterly retro-certification communication has been sent by the Fair Trade Payer.
  - If the amount of Fair Trade Premium and Fair Trade Adjustment due is smaller than USD 500, the Fair Trade Payer may decide to not transfer payment and wait until a greater amount has accumulated.
  - The Fair Trade Payer and the producer may agree to transfer payment on a schedule different than that previously stated, but signed documentation of this agreement must be sent to Fair Trade USA.
  - Payments are made at least annually.
- Fair Trade Conveyors share the information on Retro-Certification that they received from the Fair Trade Payer with the producer that will receive the Premium.
- Fair Trade Conveyors convey the Fair Trade Premium to the producer within 15 days of receipt from the Fair Trade Payer.

## **2.6 Contract Suspensions (CS)**

### **TR-CS 1**

When a producer or buyer is suspended: Within six (6) months of suspension, the contracts that have already been signed are fulfilled, and new contracts are only signed with the producer's or trader's existing trade partners (commercial transactions that have taken place in the previous twelve (12) months) for up to 50% of volume traded in the past twelve (12) months.

## **2.7 Decertification (DC)**

### **TR-DC 1**

The company does not source from decertified organizations and existing contracts with decertified organizations are cancelled if the product is not yet shipped.

## **2.8 Use of Fair Trade USA Certified mark (FTT)**

### **TR-FTT 1**

Only licensed partners of Fair Trade USA may use the Fair Trade Certified certification mark on finished products. Organizations that are certified to sell Fair Trade Certified products may use the Fair Trade Certified certification mark in promotional materials (such as brochures, websites or wholesale packaging). Use of the certification mark is in accordance with the [Fair Trade USA Label Use Guide](#), and all finished products have prior approval by Fair Trade USA.