



## **Fair Trade USA Trade Standard, Final Version 1.0**

### **Vision, Objectives and Summary November 11, 2013**

Fair Trade USA's Trade Standard covers the supply chain partners that buy and sell Fair Trade Certified agricultural products sourced from producer organizations certified by Fair Trade USA approved certifiers, including SCS and FLO-CERT.

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

Fair Trade certification is primarily focused on environmental practices, social and economic progress, and working conditions on farms. However, once the product leaves the producer's farm or processing facility, there are still some rules that exporters and importers must follow in order for the product to be able to be sold as Fair Trade. These requirements ensure that the economic benefit intended for producers does indeed reach producers, and that the integrity of the product from farm to consumer remains intact. The rules that cover these traceability and economic benefits are in the Trade Standard.

A first draft of the Trade Standard was published in June 2012 for consultation via a 60-day public comment period and targeted outreach to key stakeholders. The final version was published in November, 2013 and will be periodically reviewed as recommended by ISEAL.

#### **Summary of Fair Trade USA Trade Standard**

The Fair Trade USA Trade Standard focuses on the traders' roles in supporting the economic development of Fair Trade producers. Fair Trade pricing, pre-determined Fair Trade Premiums, reliable contracting and pre-finance enable producers to cultivate Fair Trade products in a sustainable way. They also allow producers to follow the Fair Trade principles of empowerment, social responsibility, and environmental stewardship in their certification. Finally, the Trade Standard includes requirements for the handling, sale and marketing of Fair Trade Certified products to ensure that only products purchased as Fair Trade are labelled as Fair Trade. A brief summary is provided below; Fair Trade USA encourages interested parties to download and read the full Trade Standard on the Fair Trade USA website to learn more.



### **Economic Development:**

#### ***Fair Trade Pricing***

In some categories, Fair Trade Minimum Prices have been defined in order to serve as a safety net in highly volatile agricultural markets. Fair Trade standards require that the price paid for Fair Trade products rises with the market price, yet does not drop lower than the Fair Trade Minimum Price in times of low market prices.

#### ***Pre-Determined Fair Trade Premiums***

Fair Trade Standards require that, in addition to the market price or Fair Trade Minimum Price, producers also receive a pre-determined Fair Trade Premium, intended for community investments by smallholder organizations (Small Producer Organization Standard), farm workers on large estates (Farm Workers Standard), or independent smallholders (Independent Smallholders Standard). The amount of Fair Trade Premium paid is based on the volume of product sold on Fair Trade terms.

#### ***Contracting and Pre-Finance***

Fair Trade buyers sign purchase contracts with Fair Trade producers and deliver on their purchase commitments. Fair Trade buyers are required to support smallholder organizations with loan applications, or directly provide pre-financing against Fair Trade contracts, when producers ask for this support. Another condition of Fair Trade is that buyers are not allowed to ask Fair Trade producers to sell to them on disadvantageous terms.

### **Trade:**

Before they purchase Fair Trade Certified products, Fair Trade buyers ensure that they are sourcing from a Fair Trade Certified producer organization or trader. The documentation of Fair Trade transactions allows a sale to be traced back to a purchase – only the amount of product purchased as Fair Trade Certified is later sold as Fair Trade Certified. Only licensed partners of Fair Trade USA may use the Fair Trade Certified label. Fair Trade buyers facilitate audits and report their Fair Trade transactions to Fair Trade USA.

### **Conclusions**

Fair Trade USA is committed to continuing to offer credible and transparent Fair Trade certification services to industry partners in a professional and client-oriented way. We hope that by offering this Standard and our certification program, we will enable more traders to purchase Fair Trade Certified products and ultimately contribute to the empowerment, social responsibility, economic development and environmental stewardship of Fair Trade farmers and farm workers. We welcome all feedback on how to improve our Trade Standard. Please contact us at [standards@fairtradeusa.org](mailto:standards@fairtradeusa.org).