

Fair Trade USA Independent Smallholders Standard

Vision, Objectives and Summary

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VISION

Fair Trade USA developed the Independent Smallholder Standard (ISS) to provide access to the benefits of Fair Trade for the many farmers that own small parcels of land but are not organized into cooperatives or associations. Fair Trade USA aims to bring our mission of empowerment, economic development, social development and environmental stewardship to these “independent” smallholders, by helping them partner with a Fair Trade Certified Market Access Partner to commercialize their product.

The ISS builds on the strengths of the certification of Small Producer Organizations, while providing the flexibility for farmers to choose how to best organize and commercialize their products. In drafting the ISS, Fair Trade USA reviewed several standards and their compliance criteria, including FLO’s Small Producer Organization and Contract Production standards, Rainforest Alliance’s Group Certification standard, Utz Certified’s Multi-Site standard and IMO Fair for Life’s Criteria for Farmer Groups. Additionally, this standard follows the International Labour Organization (ILO) conventions, and requires legal compliance with national law and local legislation as a baseline.

Objective and Background:

Smallholders, who typically own between 1 and 5 acres of land, have two primary ways to get their product to market. They can form or join a “Small Producer Organization” (SPO), typically a cooperative or farmers’ union, which gives them more scale in pricing and other negotiations. Alternately, they can work through an exporter or mill – where their negotiation power is more limited.

Small Producer Organizations (SPOs) can become Fair Trade Certified by complying with the Fair Trade SPO standard. In these cases, the SPO owns the Fair Trade certificate and is responsible for ensuring its members comply with the Fair Trade standard.

There are many benefits for smallholders accessing the market through a SPO: they own the certificate directly, pool their premium income, negotiate collectively with buyers, access the training that they prefer, and become personally empowered by joining a group with similar goals and mission.

However, only a small percentage of smallholders world-wide can be or choose to be members of a SPO. While there can be significant geographic, political or cultural barriers to forming a SPO, many smallholders simply do not have the business capacity. For a SPO to be successful there must be strong management capability to ensure social and environmental compliance with Fair Trade standards, and strong financial management to provide pre-harvest working capital and prevent contract defaults.

The ISS integrates many of the strengths of the SPO model while allowing for more flexibility in the type of organization required of the farmer groups. Rather than necessitate independent smallholders who want to access the benefits of Fair Trade to immediately form a SPO, these farmers can instead choose to partner with a Market Access Partner - such as a processor (mill), exporter, or an NGO - who is usually already purchasing and selling the smallholders’ product and often offering additional business services. The Market Access Partner is a Fair Trade Certified organization that takes

on the same responsibilities that a Small Producer Organization (or cooperative) would under Fair Trade Certification: they hold the Fair Trade certificate, are responsible for ensuring compliance with the Fair Trade standard, and can sell certified product sourced from the member farms. In addition, the farmers elect representatives to a Fair Trade Committee, which is responsible for managing community development premiums.

The ISS also enables smallholders, who for one reason or another cannot be part of a cooperative, to benefit from the financial and administrative acumen of the Market Access Partner. It also introduces additional social, environmental and economic benefits, along with transparency and safeguards, which are not included in conventional supply chains. This type of Fair Trade certification has been used successfully in categories such as cotton and rice, but historically has not been available in other commodities.

Summary of Fair Trade USA Independent Smallholder Standard

The Fair Trade USA ISS follows the development model of Fair Trade certification, expecting progress in the areas of social empowerment, economic development and environmental stewardship over time. The standard is summarized below, and interested parties are encouraged to download and read the full ISS on the Fair Trade USA website.

Certificate ownership and Structure

The Market Access Partner owns the Fair Trade certificate and is audited against the Standards.

At the time of certification, smallholders partner with the MAP to form an inclusive and participatory Fair Trade Committee. Within six years, smallholders are expected to form, or evolve into, one or several “Producer Organizations”, which must be democratically-run and have their own bank accounts. At this point the group of smallholders collectively receives, owns, and decides on the use of the Fair Trade premium in order to meet development goals. Unlike an SPO, this group is not required to buy and sell Fair Trade products, so they can be more flexible in the way they are organized, including, for example, a non-profit Association.

The extended time frame enables smallholders to build the necessary financial and administrative management skills to become the certificate-holder (and eventually form their own independent SPO if they so desire), while minimizing the number of contract defaults and “suspensions” in the system due to lack of capacity in these areas. At this point, the smallholders and their Producer Organizations are very close to being an SPO, and are empowered to make the transition if it makes sense for their business.

The standard also addresses the power differential that can occur when farmers do not own the certificate directly. Exclusive contracts are prohibited, for example, and the Market Access Partner cannot interfere if smallholders are interested in creating a Small Producer Organization and directly owning the Fair Trade certificate.

Collective commercialization

Once formed, the Producer Organizations are expected to negotiate the terms of trade collectively on behalf of all smallholders, although the actual sales against these agreed terms of trade may be organized individually. This means that while the objective of collective negotiation is reached, the farmers do not have to form a separate business organization. This can prevent some problems that occur frequently with SPOs. For instance, a lack of SPO access to significant amounts of credit forces farmers into selling Fair Trade-eligible products to non-Fair Trade buyers due to cash-flow problems. Our hope is that this gradual, flexible approach to group empowerment will allow farmers to gain some of the benefits of formal organization while avoiding the pitfalls of requiring SPOs to form before their members are ready.

Fair Trade premium ownership and definition of development goals

Before initial certification of the group of smallholders, the Market Access Partner is responsible for a needs assessment which analyzes the development needs of the smallholders, their families, their community, those who work on their farms, and the environment. It also identifies how Fair Trade could help to address these needs. Once certified, the Fair Trade Committees are expected to consult farmers and develop a Fair Trade Plan based on this needs assessment, where they outline how to use the Fair Trade premium to meet their development objectives. The Market Access Partner may stand as a trustee for premium receipt and open a separate bank account for this purpose until Producer Organizations are formed at or before year 6.

Democracy, participation, and transparency

The ISS requires effective representation and democratic participation of smallholders. Upon certification, the democratically-elected Fair Trade Committee establishes a communication line between the Market Access Partner and the smallholders. From the first year of certification, General Assemblies are held annually with all smallholders, and all reports and accounts are presented. Once they are formed, the Producer Organizations take over responsibility for presenting the records and accounts to the smallholders and making them accessible.

Farmer Training

To comply with the ISS, the Market Access Partner organizes trainings on environmentally-sustainable agricultural production methods, as well as on the role and responsibility of the Fair Trade Committee. Separately, the Fair Trade Committee can decide to use the Fair Trade premium to finance other trainings in line with the Fair Trade Plan, for instance, income diversification or financial management.

Stable Business Partnerships

The ISS requires that terms of trade are agreed upon and signed by the individual smallholders and the Market Access Partner, and that the Market Access Partner share its expectations of future Fair Trade sales in the form of a Sourcing Plan. Smallholders must receive at least the market price (or if applicable the Fair Trade minimum price) for the sales of their Fair Trade product, as well as an additional Fair Trade premium.

Equitable Conditions of Employment

Under the ISS, workers hired by both the Market Access Partner and by the small-scale farmers must also be protected by the Fair Trade standards: they must enjoy Freedom from Discrimination, Freedom of Labor, and Freedom of Association. Additionally, children must be protected, and workers must be paid applicable minimum wages and be provided all legally-required social security benefits. Safe work processes and machinery must be in place in order to prevent work-related injuries, and workers must be provided with appropriate personal protective equipment.

Environmental Stewardship

The ISS forbids the use of the most toxic agrochemicals (please see the Fair Trade USA Restricted and Prohibited Materials List), prohibits the use of genetically modified organisms, and requires that all smallholders are trained on environmentally sustainable agricultural production methods. The ISS focuses on farmer training and increasing farmer's individual capacity and knowledge, and requires that the Market Access Partner implements an Internal Control System to promote the uptake of best agricultural practices. The Internal Control System is meant to account for the realities of the farmers and create a path to more sustainable production based on these realities.

Conclusions

Fair Trade USA is committed to partnering with smallholders on their Fair Trade journey, and designing an approach to the certification of independent smallholders that balances the ease of entry with consumer expectations of Fair Trade. Our hope is that the ISS provides a flexible approach to group empowerment that will allow farmers to gain some of the benefits of formal organization while avoiding the pitfalls of requiring SPOs to form before their members are ready. We are currently testing the ISS in several supply chains, and the lessons we learn regarding the best way to bring Fair Trade benefits to these farmers will be incorporated into future standards reviews. We also encourage any interested party to comment on the ISS and provide suggestions about how to improve our program by contacting us at standards@fairtradeusa.org.