



Guidance on Premium Spending Rules Under the APS

Fair Trade USA

Version 1.0.0

A. Purpose

This document provides an overview of the process required to spend Fair Trade Premium, and summary of requirements for the Fair Trade Premium Plan and project spending. It is intended only as an introduction and overview of Premium requirements. The Agricultural Production Standard (APS) and associated normative and policy documents should be consulted to ensure compliance with all requirements.

B. Scope

This document is relevant to all entities certified against the Fair Trade USA Agricultural Production Standard.

C. Related Documents

- Agricultural Production Standard, Version 1.0.0
- Special Price and Premium Terms, Version 1.0.0

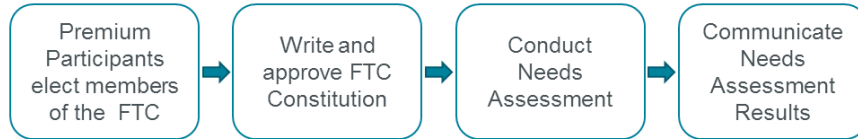
All resources listed in this document, including the APS itself, can be found on Fair Trade USA's website on the Standards Download Center: <http://fairtradeusa.org/certification/standards/download-center>



Overview of the Premium Spending Process

Step 1: The Certificate Holder identifies Fair Trade Premium Participants and proposes an initial Fair Trade Committee (FTC) structure

Step 2: The FTC is formally constituted and the first Needs Assessment is done



Before Fair Trade Premium is spent, or Year One at the latest

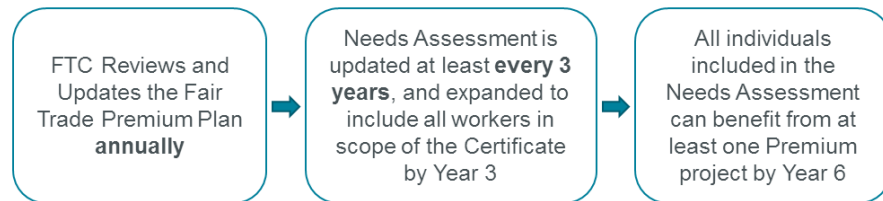
Step 3: The FTC develops a Fair Trade Premium Plan based on the Needs Assessment and gains approval on the Fair Trade Premium Plan from the Fair Trade Premium Participants



Before Fair Trade Premium is spent or by Year Three at the latest

Step 4: Spend Premium based on the projects in the Fair Trade Premium Plan

Ongoing: Update the Needs Assessment, Premium Plan, and FTC governance as needed



Ongoing

The Fair Trade Premium Plan

Premium must be spent according to the Premium Plan developed by the Fair Trade Committee (FTC) (see Compliance Criterion [1.2.2.a](#) of the APS for information on the structure of the Premium Plan).

- Each project must **always** be clearly linked to a need identified in the Needs Assessment (see Compliance Criterion [1.2.1.a](#) of the APS for information on the Needs Assessment).
- Spending must be in compliance with the [Special Price and Premium Terms](#).
- Spending must be in compliance with the Premium Expenditure Rules, in [Annex C](#) of the APS.

The Premium Plan must be approved by a majority of the Premium Participants.

The Premium Plan must be updated annually.

- The update should include an analysis of the progress and outcomes of any Premium projects, and any updates to the Needs Assessment.



Summary of the Premium Expenditure Rules

This is a summary of the Premium Expenditure Rules only. It is meant to highlight situations for which there are special spending rules, but it does not include complete details of these rules. Please consult [Annex C](#) of the APS for the complete Premium Expenditure Rules.

What kinds of projects can Fair Trade Premium be spent on?

Premium may be used to fund almost any project that aims to address a need identified in the Needs Assessment. Types of projects which have specific restrictions include:

Cash or in-kind payout: Only up to 50% of the premium may be paid out in cash or in-kind goods to Premium Participants.

On-site investments: There are no restrictions for on-site investments on Small Farms and Facilities. For on-site investments that remain the property of the owner of a Mid-sized or Large Farm or Facility, or of the Certificate Holder, only up to 20% of the Premium may be used under the following conditions:

- The investment may only be in housing, laundry facilities, gardens, recreational/learning facilities, or other facilities used primarily by and benefiting workers;
- The FTC must be registered as a legal body under the rules described in Criterion 1.2.4.c;
- The Certificate Holder or employer must match (at a minimum) the amount invested from the Premium;
- There is a contract between the FTC and the Certificate Holder/owner that requires the Certificate Holder/owner to return the amount invested (adjusted for depreciation or appreciation of the asset) to the FTC in the event of a sale of the facility or decertification; and,
- The investments go beyond what is required in the APS and under applicable law.

Business needs and compliance costs: Premium may be spent on any business need or compliance cost on Small Farms or Facilities, and sites owned by democratically-controlled small producer organizations. Premium may never be used for costs of compliance on Mid-sized or Large Farms and Facilities.

Certification fees: Democratically-controlled small producer organizations may use Premium to fund any certification fees. Certificates made up primarily of Small or Mid-sized Farms and Facilities may use up to 50% of Premium to pay the Fair Trade USA APS certification fee only. Large Farms and Facilities may never use Premium to cover certification fees.



Spending allowed to support the Fair Trade program

Premium funds may be used for certain costs to support the Fair Trade program. These costs must be outlined in the Fair Trade Premium Plan and approved by the Premium Participants. Types of spending which are allowed include:

- Emergency and/or discretionary spending by the FTC. Rules for use of these funds must be outlined in the FTC Constitution.
- Certain costs of the General Assembly and compensation of FTC members for traveling to and participating in FTC meetings. Specific rules are outlined in [Annex B](#) of the APS.
- To hire an administrative support person to assist the FTC.
- Premium management expenses, including bank fees, wire transfer fees, taxes and financial audits.
- To finance certain trainings conducted by third parties, including training of the FTC members as required in Objective 1.1.4, training of small producer as required in Objective 1.3.1, and training of the Social Engagement Team members as suggested in Criterion 3.7.3.b.

