



Summary of Changes to the Trade Standard 2.0.0

Fair Trade USA

May 22, 2019

Introduction

In May 2019, Fair Trade USA completed a major revision of the Trade Standard. The revised Trade Standard 2.0.0 incorporates and replaces Fair Trade USA's former Trade Standard for Agriculture & Seafood version 1.0.0 and Compliance Criteria version 1.1.0, as well as the Trade Standard for Apparel and Home Goods version 1.1.0. The Trade Standard 2.0.0 improves upon the previous requirements to bring more benefit to producers and traders in the Fair Trade system and increase value and efficiency for all supply chain partners. As part of this revision, we have harmonized core trade requirements across Fair Trade USA's three main product groups (agricultural products, seafood, and apparel and home goods) and customized guidance and special requirements by category to respond to specified needs. We have also added intent and clarification to each compliance criteria to improve clarity of requirements, and to be consistent with our other standards.

This document presents a summary of themes and requirements in the Trade Standard version 2.0.0 and how they compare to the requirements in the previous Trade Standard documents. The comparison of compliance criteria is based on a comparison with the Trade Standard for Agriculture and Seafood Compliance Criteria version 1.1.0.

Purpose

The purpose of this document is to summarize the main changes made to the Trade Standard during the major revision. Please be advised that this is a narrative summary and not an exhaustive list of all requirements under the Trade Standard and is not a complete list of the changes. To fully understand the requirements of the Trade Standard, the final 2.0.0 version shall be consulted.

Module 1: General Requirements

Requirements in this module originated from the Trade Standard version 1.0.0 Basic Requirements section, referred to as TR-BR. The previous section of TR-BR 1 has been split into three Objectives in this new version of the Standard. Common themes included rearranging the requirements and adding clarification to wording. Two new sub-modules have been added, 1.4 and 1.5, which focus on labor rights and environmental protection, respectively.

Version 2.0.0	Version 1.0.0	Summary of Changes
1.1.1.b	NEW	The Trade Standard now includes scope of certificate requirements.



1.1.2.a	TR-BR 1.4	Wording and clarification have been added around requirements for a certification point person at the Trader.
1.1.2.b	TR-BR 1.5	Added explicit reference to subcontracted facilities who need to be included for scope requirements.
1.2.2.c	TR-BR 1.3	Clarified that traders must follow the timeline communicated to them by Fair Trade USA.
1.1.3.a	TR-BR 1.2	This is a core requirement. Added greater emphasis around requiring accessibility of records during audits and specified this accessibility for auditors and Fair Trade USA staff.
1.1.3.b	TR-BR 1.6	Explicitly mentions that a written document of agreement for entities under the Certificate is required by Traders, which includes sites that are not directly managed by the Licensee.
1.1.3.c	NEW	Subcontractors are required to agree to comply with traceability criteria. For context, this is a similar requirement to our producer standards, however unlike the producer standards, this criterion does not require ILO Conventions to be followed.
1.2.1.a	TR-PS 2.1	This is a core requirement. Added clarification that suppliers must have a valid certificate of eligibility.
1.2.1.b	TR-PS 1.1 & 1.2	Combined the two old criteria into one requirement requiring that Fair Trade Certified products are only purchased from Licensees.
Removed	TR-CT 8.8	This criterion had been adapted from the old version and was ultimately removed from the final draft.
1.2.2.a	TR-CS 1.1	The old TR-CS has been separated into two criteria. The requirement intent is not to cancel existing contracts with suspended suppliers, but that the licensee may do so if they submit a written justification to FTUSA and the supplier. The 6-month limit has been replaced with 'suspension period' and a warning that after the suspension period the supplier could be decertified, and outstanding orders would have to be cancelled.
	TR-CS 1.2	Removed to standardize requirement for different products. This requirement allowed buyers of flowers to cancel letters of intent when a supplier is suspended.
1.2.2.b	TR-CS 1.1	Similar. Added further clarification around entering into new contracts with suspended suppliers. New. Factory specific allowance for traders to enter new contracts or purchase agreements with suspended suppliers so long as the order can realistically be filled prior to the end of the suspension period.
1.2.3.a	TR-DC 1.1	This is a core requirement which contains some additional clarification.
1.2.3.b	TR-DC 1.1 & 1.2	There is a new timeline requiring contracts or purchases to be cancelled immediately. Some additional clarification around timelines was included. Added clarification that traders must contact Fair Trade USA about the process for Premium payment to decertified producers.
1.3.1.a	TR-TD 1.6	Clarification that traders may not associate the Fair Trade Certified seal or claim with non-Fair Trade product. This is a core requirement.
1.3.1.b	TR-FTT 1.1	Simplified compliance criteria language. Expanded to include any Fair Trade claims, not just use of the seal. This is a core requirement.
1.3.1.c	TR-FTT 1.2	Content of this criterion did not change. This is a core requirement.



1.3.1.d	TR-FTT 1.3	Content of this criterion did not change. This is a core requirement.
1.4.1.a	NEW	This is a new core requirement. Traders comply with national and local labor laws and the ILO Core Conventions.
1.5.1.a	NEW	This is a new core requirement. Traders comply with environmental laws.
1.5.1.b	NEW	This is a new core requirement. Pesticides on the FTUSA Red List of Prohibited Pesticides are not used on Fair Trade Certified product.

Module 2: Economic Development

Price and Premium payment timelines have been separated and have been standardized across all product categories, except Apparel and Home Goods. We have combined all Fair Trade Minimum Price requirements under Objective 2.1.2. Contract requirements have been split into three main components: The Fair Trade Agreement, a written agreement between buyers and suppliers, and a purchase order. This distinction helps distinguish between terms of the overarching trade relationship and the Fair Trade program. Requirements around pre-finance have largely remained the same, however entities they are applicable to have changed.

Version 2.0.0	Version 1.0.0	Summary of Changes
2.1.1.a	ED-PR 1.2	New for Conveyors. This is a core requirement. Added clarification on price requirements for commodities without a defined relevant market price. More guidance on adjusting Incoterm level for defined relevant market price references. Included explicit reference to requiring the payment of any price differentials for the coffee industry.
2.1.2.a	ED-PR 1.1 & 1.3	This is a core requirement. Additional clarification of how Fair Trade Minimum Price (FTMP) works for cocoa in countries with a defined government price.
2.1.2.b	ED-PR 2.3	This is a core requirement. Simplified language to clarify that Conveyors must pay the FTMP to the producer. Made options more explicit in Intent and Clarification: pay appropriate FTMP outright or keep more rigorous records and pay a Fair Trade Adjustment later.
2.1.2.c	ED-PR 2.2 & 2.4	This is a core requirement. Combined all requirements for paying 'appropriate' FTMP, including necessary adjustment for Incoterm level and conversion rates, into one criterion for both Payers and Conveyors. All deductions from the FTMP for Conveyors are now covered by rules for Incoterm adjustment.
2.1.3.a	ED-FTP 2.1	New to Conveyors. Separated from Premium payment timeline to emphasize that price and Premium payments are different. Changed maximum payment timeline to be the same for all products (excluding apparel and home goods), with an allowance to do something different with justification. Sets maximum timeline as 90 days. Additional clarification that any alternative payment timelines must be fair and reasonable, and justification for the alternative timeline must be recorded.



2.1.3.b	NEW	New criterion specific to payments of the product price apparel and home goods product applicable to payers and conveyors.
2.1.3.c	ED-PR 3.1, ED-FTP 1.5 & TR-TD 1.4	Combined multiple requirements around documentation and transparency of price payments into one criterion. Clarified that if product is not sold within three years, records must be kept until the product is sold and added clarification on requirements for when checks are used as payment.
2.1.3.d		NEW. Previously explicit call-out of conveyance timelines for Conveyors was for retro-cert only.
2.2.1.a	ED-FTP 1.1	This is a core requirement. Added greater clarification on calculation of Premium owed and consignment. Also clarified that applicable taxes and bank fees charged to the Premium recipient are not required to be paid by the Premium payer, only their own bank fees and transaction costs that may not be deducted from Premium owed.
2.2.1.b	ED-FTP 1.4	This is a core requirement. Added clarification on calculation of Premium owed to individual producers (originally part of TR-TD 1.5).
2.2.1.c	NEW	This is a new core requirement. Specific requirements for Premium calculation when Premium is set as a percentage of product price.
2.2.1.d	ED-FTP 1.2 & 1.6	This is a core requirement. Greater clarification on how this applies if a Premium Payer or Conveyor is not paying directly to the Fair Trade Committee's account.
2.2.2.a	ED-FTP 2.1	Separated from price payment timeline to emphasize that price and Premium payments are different. Changed maximum payment timeline to be the same for all products (excluding apparel and home goods).
2.2.2.b	NEW	Specific requirement for Premium Payment for Premium Payers of apparel and home goods.
2.2.2.c	ED-FTP 2.2 & 2.3	Clarified meaning of 'frequent shipments'. Separate communication summarizing the amount of Premium due is no longer required, as long as there is clear accounting of all Premium owed given with the payment. Due within 15 days of the end of the month, instead of 30 days after communication.
2.2.2.d	NEW	Criterion governing allowance of alternative payment timelines. Sets maximum timeline as quarterly and requires justification.
2.2.2.e	TR-CT 8.7	Previously explicit call-out of conveyance timelines for Conveyors was for retro-cert only.
2.2.2.f	ED-FTP 1.5, ED-PR 3.1 & TR-TD 1.4	Combined multiple requirements around documentation and transparency of Premium payments into one criterion. Added clarification on the use of checks as payment.
2.3.1.a	TR-CT 1.1	This is a core requirement. Expands upon the original purchase contract required under TR-CT 1.1, to include an overarching agreement defining the Fair Trade Program and responsibilities. New clarification that the agreement must be in a language the producer can understand.
2.3.1.b	TR-CT 1.1	Adds additional clarification to requirement to specify payment terms. Intent is to ensure agreements are in place to facilitate compliance with Sub-Modules 2.1 and 2.2 on payment of Price and Premium, and that these terms do not need to be included or re-defined for each individual purchase order.



2.3.1.c	TR-CT 1.4 & TR-CT 7.7	Requires the process for calculation of Fair Trade Price and Premium be defined and agreed to in advance of specific purchase orders. Intent is to support compliance with Sub-Modules 2.1 and 2.2 on Price and Premium calculation by ensuring the process is clear and transparent and does not need to be re-defined for each individual purchase order.
2.3.2.a	TR-CT 1.1, 1.5, 4.1 & 4.2	<p>This is a core requirement. Requires the overarching terms of trade to be defined and agreed to by both parties in advance. Terms on liability, termination rights, “Force Majeure”, and definition of the system of purchase orders were previously required for traders of produce only and are NEW for other products.</p> <p>A commitment to provide estimates of purchase volumes is NEW. The intent of this requirement is to encourage the development of sourcing plans and open communication between buyers and suppliers in a manner that works for both parties.</p>
2.3.2.b	TR-CT 1.1 & ED-FTP 1.3	This is a core requirement. Adds clarification and descriptions of the required terms. Product descriptions must included an indication of which items (or entire order) are Fair Trade Certified.
2.3.3.a	TR-CT 1.2	This is a core requirement applicable to Fair Trade Price or Premium Payers and Conveyors.
2.3.3.b	TR-CT 4.1	<p>Previously required documentation of quality claims only. Now includes other types of claims or disputes related to Fair Trade purchases.</p> <p>Added that any deductions made must be fair and transparent.</p>
2.3.4.a	TR-CT 5.1	NEW to Conveyors. Added that the method for fixing the price must be documented.
2.3.4.b	TR-CT 7.1	Applicable to any price-to-be-fixed contract, not just coffee. Included clarification stop loss orders during the harvest period.
2.3.4.c	TR-CT 7.2	<p>Applicable to any price-to-be-fixed contract, not just coffee.</p> <p>Specific information required to be documented as part of the price fixation is NEW.</p>
2.3.4.d	TR-CT 7.3	Clarified language.
2.3.5.a	TR-CT 7.4	Applicable to any Price and/or Premium Payer or Conveyor using a broker, not just coffee.
2.3.5.b	TR-CT 7.5 & 7.6	Applicable to any Price and/or Premium Payer or Conveyor using a broker, not just in the coffee category.
2.4.1.a	ED-PF 1.1	<p>This is a core requirement. Previously applicable to Payers. Now applicable to first buyers, which means it is NEW for Conveyors. The intent of this change is to ensure that this requirement is applicable to entities which have a direct relationship with producers.</p> <p>Added greater clarification on when the provision of pre-finance can be declined.</p>
2.4.1.b	ED-PF 3.1	Previously applicable to Payers. Now applicable to first buyers, which means it is NEW for Conveyors. The intent of this change is to ensure that this requirement is applicable to entities which have a direct relationship with producers. Clarified the term “contract” as it applies in this criterion.
2.4.2.a	ED-PF 2.1 & 2.2	Applicable to any trader supporting access to third party pre-finance.
2.4.2.b	ED-PF 2.3	Applicable to any trader supporting access to third party pre-finance.



		Requiring reference to the name of the lender in the agreement is NEW, as is specifically defining the payments terms.
2.4.3.a	ED-PF 4.1	Applicable to any trader providing pre-finance.
2.4.3.b	ED-PF 4.2, 3.3 & 3.4	Applicable to any trader providing pre-finance. New components added to list of required terms. Reference to 'consignment contract details' was removed. Components of ED-PF 3.3 and 3.4 added to Intent and Clarification. Specific timeline requirements were removed, and instead specified more generally that timing must be appropriate to allow pre-finance to be used for the identified need.
2.4.3.c	NEW	Separate criterion that ensures pre-finance payments never affect the Fair Trade Premium amount owed.
2.4.3.d	ED-PF 4.2, 3.3 & 3.4	Split this component, which was previously part of 2.4.3.b, into its own criterion.
2.4.3.d	ED-PF 3.2	Applicable to any trader supporting access to third party pre-finance.
2.5.1.a	ED-ST 1.1 & TR-CT 1.3 & 6.1	This is a core requirement. NEW broader concept applicable to all traders, not just Payers and Conveyors, prohibiting unfair trading practices generally. Specific unfair practices defined in ED-ST 1.1, TR-CT 1.3, and TR-CT 6.1 are specific bullet points of examples of unfair trading practices in the intent and clarification.
2.5.2.a	ED-ST 2.1	Applicable to Fair Trade Price and/or Premium Conveyors. Addition of recording the Fair Trade Adjustment, if applicable, in annual reporting.
2.5.2.b	NEW	This criterion was added to support the requirements in 2.3.2.a requiring a system for giving volume estimates. The intent is to encourage open communication so that volume estimates can become better over time and be a useful tool for both parties.
2.5.2.c	NEW	This criterion was added to ensure Fair Trade Payers and Conveyors have a strategy for how to responsibly exit from purchasing relationships with Fair Trade suppliers. A responsible exit strategy is important to protect producers from unexpected shocks to their sales and Premium income. Specified that the strategy must be in place before making any significant changes to the relationship between the payer and/or conveyor with their supplier.

Module 3: Product Traceability

Existing requirements for a traceability system have been expanded upon with more specifics on documented procedures, record retention, and traceability of product flow through documentation to ensure Licensees have the appropriate systems in place to track product and ensure Fair Trade USA can access sufficient documentation to verify volumes and authenticity. Identity preserved traceability is a new, optional model of traceability which provides a mechanism by which to support connection of a final product to all the source producer organizations. Requirements around consignment have been as new criteria in the Trade Standard, which were previously outlined in a guidance document. There is also additional clarification around how price adjustments can be applied.

Version	Version	Summary of Changes
2.0.0	1.0.0	



3.1.1.a	TR-PT 1.1	This is a core requirement. Broader traceability system requirement focusing more on documented procedures, and applicable to all traders (not just physically traceable products).
3.1.1.b	NEW	While this has always been an expectation, it was not an explicit requirement. Improved clarity on record keeping timeline requirements.
3.1.1.c	TR-TD 2.1	Clarified that this criterion does not apply to entities implementing mass balance.
3.1.1.d	NEW	NEW: Similar to 3.1.1.c but intended to increase visibility of sales into other fair trade supply chains, and product transformation, labeling, or losses.
3.1.2.a	TR-TD 1.1	This is a core requirement. Simplified compliance criteria and expanded guidance.
3.1.2.b	TR-TD 1.2 & 1.3	New components required include the Fair Trade ID of the buyer, and additional product characteristic specifications added for Seafood and AHG.
3.1.3.a	NEW	Intent is to ensure that traders and Fair Trade USA can adequately track and confirm changes in volume or form of Fair Trade Certified product.
3.1.3.b	TR-TD 1.5	New component: requiring traders to communicate percent Fair Trade content, as this is necessary information for labeling. Previously focused on communicating percent composition from each Certificate Holder, which is now part of 2.2.1.b.
3.1.4.a	TR-TD 3.1	Criterion specific to sugar production in order to accurately account for Fair Trade Price and Premium payments for all Fair Trade Certified and Fair Trade eligible cane sugar.
3.2.1.a	TR-PT 1.2 & 1.3	This is a core requirement. Combined criteria and simplified language.
3.2.2.a	TR-PT 2.1	Applies to all traders that apply physical traceability.
3.2.3.a	TR-PT 3.1	Specific products allowed to use mass balance will now be defined in a separate policy document, rather than being part of the Trade Standard.
3.2.4.a	NEW	This was always the intent but makes explicit how traceability requirements apply in the case of composite products. Added additional clarification on applicability in different commodities.
Sub-module 3.3	NEW	<i>This entire Sub-module is a new addition to the Trade Standard. It lays out requirements for the use of identity preserved traceability should a trader choose to implement identity preserved traceability in their supply chain. If a trade does not wish to implement identity preserved traceability, they need not comply with this section of the Trade Standard.</i>
3.3.1.a	NEW	Traders are required to get approval from FTUSA to use identity preserved traceability.
3.3.2.a	NEW	Requires physical segregation of Fair Trade Certified product from non-certified product at all stages of the supply chain.
3.3.3.a	TR-PT 2.1	Similar to 3.2.2.a – requires clear marking of Fair Trade Certified product throughout the supply chain.
3.3.4.a	NEW	Requirements for record keeping for product that is intentionally mixed as part of processing when using identity preserved traceability.
3.3.5.a	NEW	Requirements for documentation of identity preserved products.



3.4.1.a	NEW	This is a core requirement. Intended to ensure proper use and enforcement of mass balance requirements.
3.4.2.a	TR-PT 4.1	This is a core requirement. Additional clarification that conversion rates and processing losses must be accounted for, and that all mass balance inputs must be purchased before sales.
3.4.2.b	TR-PT 4.2	Greater clarification of what is meant by same 'type and quality'.
3.4.3.a	NEW	This is a core requirement. This was always an expectation, but now sets an explicit requirement.
3.4.4.a	TR-PT 5.1	Previously applicable to tea and fruit juice only. Now applies to any trader using single site mass balance.
3.4.4.b	NEW	This is a core requirement. New to the Trade Standard. These rules were previously included in a Certification Guidance document.
3.5.1.a	TR-CT 8.1	This is a core requirement. Requirement to notify conveyors and suppliers, as well as Fair Trade USA, about the use of retro-certification is new.
3.5.1.b	NEW	This is a core requirement. Always expected, but requirements now made explicit that only product eligible for retro-certification may be retro-certified.
3.5.1.c	TR-CT 8.2	This is a core requirement. Added clarification on required information and records around the use of retro-certification.
3.5.1.d	TR-CT 8.3	This is a core requirement. Originally did not have any specification of what information needed to be documented about retro-certified product. Required information was previously listed as required in the quarterly notification only. Added new and/or modified requirements from original requirements in the quarterly notification (invoice number replaces lot number and date of original purchase).
3.5.1.e	TR-CT 8.4	This is a core requirement. Moved list of specific information needed to be included in the Notification to 3.5.1.d. Specified that the notification must be sent no later than 30 days after the end of the quarter.
3.5.1.f	TR-CT 8.5 & 8.6	This is a core requirement. Requires payment of the Premium and any necessary Fair Trade Adjustment within 30 days of the end of quarter, instead of 30 days from the quarterly communication.
3.5.1.g	NEW	This requirement is new and explicitly clarifies detail on how to pay Premium for Fair Trade Price and/or Premium Payers engaging in retro-certification and purchasing from a non-Fair Trade USA Payer.
3.5.1.h	NEW	Sets a maximum timeframe for which retro-certification is allowed, to limit unreasonable delays in receipt of Premium by producers and ensure producers and traders can both link Premium payments to specific transactions of Fair Trade product, especially in circumstances where retro-certification is combined with mass balance traceability.
3.5.1.i	NEW	Specifies that product supplied from a recently certified producer can be sold as Fair Trade Certified if it was produced at a maximum one year prior to initial certification.
Sub-module 3.6	NEW	<i>The entirety of this section was previously offered as a guidance document to supplement the Trade Standard, but has now been included to outline clear requirements for supply chains where consignment takes place</i>



3.6.1.a	NEW	This is a new core requirement. Requires that FTUSA has been informed of the intent to sell under consignment.
3.6.1.b	NEW	Requirements for transaction reporting to FTUSA of consignment sales.
3.6.2.a	NEW	This is a new core requirement. Requirements for a written agreement between the growers' agent and the consignor.
3.6.2.b	NEW	Specifics that growers' agents must communicate to FTUSA about consignment sales.
3.6.2.c	NEW	Requirements for Premium payment for traders engaging in consignment sales.
3.6.3.a	NEW	Requirement that specifies that Premium must be paid on 90% of all product sold with the Fair Trade seal or label per season per grower, even if it's not sold with the Fair Trade Certified claim.

Annexes

The Trade Standard now also includes Annexes A and B to help support intent and clarification on particularly complex topics. Annex A provides details about adjusting the Fair Trade Minimum Price and relevant market price and Annex B provides guidance on the inclusion of differentials in price calculation.

