



Trade Standard

Version 2.1.0

Fair Trade USA

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<https://www.FairTradeCertified.org/business/standards>.

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Introduction

Fair Trade USA's Mission and Vision

Fair Trade USA is a nonprofit organization and the leading certifier of fair trade products in North America. Its trusted Fair Trade Certified™ seal on a product signifies that it was made according to rigorous fair trade standards that promote sustainable livelihoods and safe working conditions, protection of the environment, and strong, transparent supply chains. Rather than creating dependency on aid, Fair Trade USA's model empowers farmers, workers, and fishermen to fight poverty and earn additional money to improve their communities. Recognized as a leading social venture by the Clinton Global Initiative, the Skoll Foundation, and Ashoka, Fair Trade USA also develops, implements, updates, enforces, and audits against fair trade standards which drive income sustainability, community and individual well-being, empowerment, and environmental stewardship.

About this Document

Fair Trade USA's Trade Standard version 2.0.0 applies to the supply chain partners that buy and sell Fair Trade Certified™ product sourced from producers certified by Fair Trade USA or that have an authorization to trade issued by Fair Trade USA. The Trade Standard version 2.0.0 replaces Fair Trade USA's Trade Standard for Agriculture & Seafood version 1.0.0 and Compliance Criteria version 1.1.0, as well as the Trade Standard for Apparel & Home Goods version 1.1.0.

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, manufactured, and traded in ways that improve livelihoods and protect the environment. The Trade Standard focuses on traders' roles in supporting the economic development of Fair Trade producers. Requirements around Fair Trade pricing, pre-determined Fair Trade Premium, reliable contracting, and pre-finance enable producers to harvest and make Fair Trade Certified products in a sustainable way. These requirements also support producers following the Fair Trade USA principles of empowerment, social responsibility, and environmental stewardship. Finally, the Trade Standard includes requirements for the handling, sale, traceability, and marketing of Fair Trade Certified product to ensure that only products purchased on Fair Trade terms are labeled as Fair Trade Certified.

The Trade Standard references internationally recognized standards, regulations, and conventions, in particular the Core Conventions of the International Labour Organization (ILO). Where other specific references are used, they are mentioned within the relevant objective.

The Trade Standard version 2.0.0 contains some key structural changes from the previous version of the Trade Standard. As part of the revision process, we harmonized core trade requirements across Fair Trade USA's main product groups and customized guidance and special requirements by product and category to respond to specified needs. We combined the Vision and Objective, Standard, and

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Compliance Criteria into one document, and added Intent and Clarification to each Compliance Criteria to improve clarity of requirements and to be consistent with Fair Trade USA's other standards.

The publicly available [Standard Development and Revision Procedure](#) outlines the process that we use to write and revise all Fair Trade USA standards.

Per International Social and Environmental Accreditation and Labeling (ISEAL) Code of Good Practice, major reviews of our standards occur every five years. The next major review of the Trade Standard is scheduled to take place in 2024.

Change History

The below table summarizes all changes that were made as part of a minor or urgent revision since the prior major revision.

Version number	Date of publication	Changes
FTUSA_STD_Trade_EN_2.0.0	May 22, 2019	<p>Modified language on Scope requirements to account for updated procedures for working with traders certified by Fair Trade International.</p> <p>2.1.3.c; 2.2.2.f: Clarified that for requirements that Price and Premium payments be distinguishable, payments can still be made in a single transfer if CH is a small producer organization.</p> <p>2.3.2.a & b: Fixed mistake in applicability – all Price and/or Premium Payers or Conveyors must have a written agreement with suppliers, not just first buyers. This is consistent with version 1.0.0 of the Trade Standard, and has continued to be audited this way despite error.</p> <p>2.3.5.a: Clarified that to comply with broker requirements that the requesting</p>

party must pay the broker's commission, the requesting party must be clearly stated

3.1.1.d: Clarified that this is not applicable to traders employing mass balance, as intent is covered by 3.4.2.a

3.5.1.i: Clarified that retro-certification of product from recently certified producers also applies to new sites added to existing certificates.

3.6.3.a: As requirement is related to Premium payment, only applicable to Premium Payers, not all traders.

Other minor language clarifications including adding term 'multi-scope entities'.

Scope

The Trade Standard is applicable to all traders and brands worldwide that buy and sell Fair Trade Certified product. Products produced by entities certified against a Fair Trade USA producer standard or that have an authorization to trade issued by Fair Trade USA are eligible for sale as Fair Trade Certified. A Trade Certificate is held by the Licensee, on behalf of one or multiple sites. Any individual Fair Trade Certified product may be traded across multiple Licensees. The term 'Licensee' is also used throughout the Trade Standard and refers to the trader that has signed a licensing agreement with Fair Trade USA as a Fair Trade Price and/or Premium Payer, Conveyor, importer, exporter, distributor, manufacturer and/or a brand. A Licensee is a certified legal entity which holds a Trade Certificate issued by Fair Trade USA. The Licensee is responsible for ensuring compliance with the Trade Standard, and cannot be a person, but rather a company or legal entity. A Licensee used to be referred to as a 'Trade Certificate Holder.' This term has been updated to clearly differentiate the difference between a producer Certificate Holder and a Licensee.

The following sites and activities, and entities performing them, must always be included in the scope of a Trade Certificate and comply with the requirements of the Trade Standard:

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- Buying, selling, or otherwise taking legal ownership of Fair Trade Certified product, up to the point where product is packaged for the end consumer;
- Invoicing, paying, or otherwise handling Fair Trade Premium and/or Fair Trade Price;
- Any site owned or managed by the Licensee and any entities subcontracted¹ by the Licensee that handle Fair Trade Certified product, paperwork on Fair Trade Certified sales or purchases, or Fair Trade Premium.

The following entities and activities are exempt from being included under a Trade Certificate:

- Entities purchasing finished, labeled Fair Trade Certified product ready for sale to the end consumer, as long as they are not responsible for paying the Fair Trade Premium or Fair Trade Price. This typically includes retailers and distributors. This also includes entities purchasing product in bulk to sell directly to end-consumers, such as retailers for fresh case or food service providers. These entities must sign an agreement with Fair Trade USA committing to traceability requirements for Fair Trade Certified product.
- Entities and activities which are covered by another approved fair trade certificate. This includes:
 - Trading activities which are covered by a producer Certificate or an authorization to trade issued by Fair Trade USA. Note that if a Certificate Holder for a producer Certificate is also classified as a Fair Trade Price and Premium Payer, their Fair Trade Price and Premium payment activities must be covered by a Trade Certificate (e.g. in a vertically integrated supply chain). Such entities are called Multi-Scope Entities.
- All other sites where Fair Trade Certified product is only being transported.

For sites where Fair Trade Certified product is handled by a subcontractor, the Licensee must have a written contract or agreement with these entities. The contract must cover all the following elements:

- That the entity will ensure compliance with traceability requirements for Fair Trade Certified product in accordance with requirements in Module 3 of the Trade Standard;
- That Fair Trade USA and/or an approved Conformity Assessment Body (CAB) may enter the site(s) to perform assurance and control activities against these contract requirements.

The full details of which entities, sites, and activities must be included in the scope of the Trade Certificate are explained in a separate Fair Trade USA document, *Requirements for Certificate Scope under the Trade Standard*.

¹ Subcontractors refers to any individual or company that is not managed by the Licensee nor subject to a controlling interest by the Licensee (either through ownership or family relationships) which does not take legal ownership of the Fair Trade Certified product but provides services to process, pack, or transform the product.

Compliance with Local and National Laws

All traders under a Fair Trade USA Trade Certificate are expected to comply with all local and national laws and regulations. The requirements in the Trade Standard may be stricter, less strict, or equivalent to applicable laws. Where an applicable law or regulation is stricter than the Trade Standard requirements, the law will prevail. Where the Trade Standard requirements are stricter, the requirements of the Trade Standard will prevail. The intent is that where laws and the Trade Standard requirements overlap, the one that offers the strongest protections for producers will prevail. This holds true regardless of whether the Fair Trade USA requirement in the Trade Standard is marked as “Core”.

Given the broad range of jurisdictions in which Fair Trade USA operates, as well as the complexity and changing nature of laws and regulations, there is no reference to country-specific legal requirements in the Trade Standard itself. Ultimately it is the responsibility of the Licensee to ensure their own compliance with the law. In any case where there is concern that a Trade Standard requirement is in conflict with an applicable law, the trader or applicant should contact Fair Trade USA.

Using the Trade Standard

Structure

The Trade Standard is organized into three **modules** addressing different aspects of trade relationships, traceability, and information documentation and transparency. An overview of each module is provided below.

Module 1: General Requirements

This module defines the basic requirements traders must comply with to participate in the Fair Trade Certified program, including licensing and providing necessary information to Fair Trade USA. Buyers must report their Fair Trade transactions to Fair Trade USA and engage with Fair Trade USA in the auditing and supply chain verification processes. It also covers basic requirements around product sourcing, use of the Fair Trade Certified seal and claim, and compliance with the law with regard to labor rights and environmental protections.

Module 2: Economic Development

Fair Trade USA requires payment of a Fair Trade Premium, a set amount of money that goes back to producers and their communities, in addition to the payment of a fair market price. 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 USA standards require that the price paid for Fair Trade Certified product rises with the market price, yet never drops lower than the Fair Trade Minimum Price in times of low market prices.

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Module 2 also requires that Fair Trade buyers are reliable business partners with Fair Trade producers. Fair Trade buyers sign purchase agreements with Fair Trade producers and deliver on their purchase commitments. Traders must only engage in fair and transparent trading practices. Some traders are also required to support producers in loan applications or provide access to pre-finance.

Module 3: Product Traceability

Fair Trade traders must ensure transparency and traceability of all Fair Trade Certified products. Documentation of Fair Trade transactions allows any 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. Most Fair Trade Certified product must maintain physical product traceability and be clearly identifiable from non-Fair Trade Certified product at all times. Module 3 also includes requirements for exceptional traceability systems, including mass balance, retro-certification, and consignment sales.

Each **module** is split into **sub-modules** by theme. Within each **sub-module**, there are multiple principle-based **objectives**, each of which has one or more associated requirements specified in **compliance criteria**.

The **compliance criteria** define the requirements that must be met for certification, meaning that they are binding. All entities, sites, and activities included in the scope of the Trade Certificate will be audited according to these requirements. Many compliance criteria are accompanied by detail in the **Intent and Clarification** column, which includes further explanation of the requirements as well as guidance, best practices, and recommendations for implementation. Within this column of the document, the terms ‘shall,’ ‘must,’ and ‘required,’ indicate a binding requirement, which must be met to be certified. The terms ‘should,’ ‘may,’ or ‘best practice’ indicate that the item is optional. The Intent and Clarification column also includes examples and suggestions for how compliance with the requirement could be achieved. These items, usually prefaced with the phrase ‘for example,’ are not required, nor are they an exhaustive list of ways to comply.

Finally, some compliance criteria are classified as **Core**. These relate to fundamental Fair Trade USA values and principles, and non-conformities with any individual Core requirement are considered especially severe. Compliance with ‘Core’ criteria is critical to maintain an active certification status with Fair Trade USA. Any non-compliance found against Core criteria may result in immediate suspension of the Licensee. The Licensee is responsible for ensuring compliance with the Trade Standard by all entities included in the scope of the Certificate.

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
<i>Objective Number and summary of the principle.</i>				

<i>Compliance Criterion Number</i>	<i>Defines specific requirements of the objective, for which compliance is expected and against which conformance will be assessed during the audit.</i>	<i>Specifies which entities in the supply chain must meet the requirement.</i>	<i>Further, binding explanation of the requirements as well as guidance on best practices and recommendations for implementation.</i>	<i>The word 'Core' is listed here if the compliance criterion is considered 'Core'.</i>
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Applicability

The Trade Standard contains many criteria that apply to all traders across multiple product categories and industries. Some requirements are specific to traders with certain roles within the supply chain. The '*Applicability*' column defines which traders each criterion applies to. The main classifications of applicability include:

- **All:** These criteria apply to all traders covered by the Trade Standard, regardless of their role in the supply chain.
- **Fair Trade Price Payers:** A Fair Trade Price Payer is the entity responsible for paying the Fair Trade Minimum Price or relevant market price, whichever is applicable as per the Fair Trade USA *Price and Premium Database*. The Fair Trade Price Payer may be the exporter, importer, or brand depending on where the Fair Trade Price and Premium is set. Requirements applicable to Price Payers generally relate to Fair Trade Price.
- **Fair Trade Premium Payers:** A Fair Trade Premium Payer is the entity responsible for paying the Fair Trade Premium. The Fair Trade Premium Payer may be the exporter, importer, or brand depending on where the Fair Trade Premium is set. Requirements applicable to Premium Payers generally relate to Fair Trade Premium. Fair Trade Price and Premium Payers are sometimes the same entity and sometimes separate entities.
- **Fair Trade Conveyors:** A Fair Trade Conveyor is any entity that receives the Fair Trade Price and/or Premium from a Fair Trade Payer and is responsible for passing the Fair Trade Adjustment and/or Premium amount to the certified producer and/or Fair Trade Committee accordingly. Requirements applicable to Conveyors generally relate to Fair Trade Price and/or Premium.
- **First buyers:** A first buyer is the trader that buys directly from the Certificate Holder of a producer Certificate issued by Fair Trade USA or that have an authorization to trade issued by Fair Trade USA. The first buyer will likely also be a Fair Trade Price and/or Premium Payer or Conveyor. Requirements applicable to first buyers are targeted at the trading practices and relationship of entities purchasing directly from Fair Trade producers, and do not apply to traders further up the supply chain.

The term 'producer' is used throughout the Trade Standard and refers to the Certificate Holder of a producer Certificate issued by Fair Trade USA or that have an authorization to trade issued by Fair Trade USA. A producer could represent a group of smallholder farmers, a

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fishing association or cooperative, an individual factory, or a large farm. Traders may only engage in commercial transactions with the Certificate Holder, and not individual members of a producer Certificate.

The term ‘trader’ is used throughout the Trade Standard and refers to any entity that falls within the scope of the Trade Standard.

Whether a trader is classified as a Fair Trade Price Payer and/or a Premium Payer, or Conveyor will be communicated to the trader when they license with Fair Trade USA and will be included in the agreement with Fair Trade USA, as required in 1.1.1.a. The role of a trader may change if their trading relationships change. The trader is responsible for informing the Fair Trade USA Certification Team of any changes in their trading relationships with Fair Trade suppliers and buyers.

Some criteria may include additional descriptions of applicability based on the specific type of product that is being traded, or practices which the trader is engaging in. For example, traders engaging in consignment sales or traders directly providing pre-finance to producers.

Additionally, some criteria address differences in how various products are produced and traded across industries and include clarification for how requirements apply to certain product categories. These criteria include reference to specific products in the Intent and Clarification section.

Related Documents

Traders should be familiar with the following additional documents, which are available on [Fair Trade USA's website](#):

- *Requirements for Certificate Scope under the Trade Standard*: Explains in detail which entities, sites, and activities must be included in the scope of a Trade Certificate and the audit, as well as entities which must comply with a smaller list of requirements for subcontractors.
- *Price and Premium Database*: Defines the Fair Trade Premium rates set by Fair Trade USA for all approved products, Fair Trade Minimum Prices, and references for the relevant market price for certain products.
- *Special Price and Premium Terms*: Details additional Price and Premium information related to the determination of the relevant market price or the calculation of the appropriate Price and Premium rate conversions for processed products.
- *Multiple Ingredients Product Policy*: Defines rules for label use and product composition for multi-ingredient products that include Fair Trade Certified ingredients along with non-certified ingredients.
- *Fair Trade Certified Seal & Language Use Guide*: Defines the requirements for packaging and label use, and parameters around impact statements about Fair Trade certification.
- *Fair Trade Certified Seal & Language Use Guide for Apparel & Home Goods*: Defines the requirements for label use, promotional material, and parameters around impact statements about Fair Trade certification specific to the apparel and home goods sector.
- *Allowance for the Use of Mass Balance*: Lists the ingredients and products allowed to use mass balance.

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- *Guidance on the Use of Consignment*: Defines and clarifies the applicability of relevant sections of the Trade Standard to traders using consignment sales.
- *Guidance on Requirement of the Trade Standard for Multi-Scope Entities*: Available for those also certified to the Agricultural Production Standard, and Capture Fisheries Standard. Clarifies how the Trade Standard applies to traders who are also a Certificate Holder for a producer certificate. This occurs when a Certificate Holder is also designated as the Fair Trade Price Payer and/or the Fair Trade Premium Payer to the Fair Trade Committee(s) within the scope of its producer certificate; this is common in vertically integrated supply chains. The guidance document identifies the CC in the Trade Standard that will be included, either in part or in whole, in the scope of a joint audit with the producer standard.
- *Glossary*: Includes definitions of terms used in this and other key Fair Trade USA standards and certification documents.
- *Prohibited and Restricted Pesticides List*: Contains the list of pesticides which are prohibited in the handling of Fair Trade Certified product, as required in 1.5.1.b of the Trade Standard.

Additional guidance documents with further explanation and examples of requirements are available on [Fair Trade USA's website](#).

Additional Information on Fair Trade USA's Standards and Certification Process

To submit comments on this standard, please contact Fair Trade USA's Standards team: standards@fairtradeusa.org.

If you have any questions about the auditing process, scope of the Certificate, or other certification questions, please contact Fair Trade USA's Certification team: certification@fairtradeusa.org.

MODULE 1: General Requirements

This module defines the basic requirements traders must comply with to participate in the Fair Trade USA program, including licensing and the provision of necessary information to Fair Trade USA. Buyers must report their Fair Trade transactions to Fair Trade USA and engage with Fair Trade USA in the compliance and supply chain verification processes. Module 1 also covers basic requirements around product sourcing, use of the Fair Trade Certified seal and claim, and compliance with the law with regard to labor rights and environmental protections.

SUB-MODULE 1.1: Traders are Transparent with Fair Trade USA and Approved Conformity Assessment Bodies

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 1.1.1: Traders become licensed with Fair Trade USA and comply with the scope of the Trade Certificate.				
1.1.1.a	A certification and licensing agreement is signed with Fair Trade USA.	All	The agreement shall be updated as is needed to be current and accurate.	
1.1.1.b	Traders only sell products as Fair Trade Certified in accordance with the scope of their Trade Certificate.	All	Should the trader wish to add additional products to the scope of their Trade Certificate, they must notify and receive approval from Fair Trade USA before they may sell additional products as Fair Trade Certified. Apparel and Home Goods: The scope of the Trade Certificate covers the type of claim made (Full Fair Trade Certified Seal; Fair Trade Certified Factory or Sewing; Fair Trade Cotton, or back panel claim only). It is not necessary to report changes to specific product SKUs.	
Objective 1.1.2: Traders submit timely and accurate information to Fair Trade USA.				
1.1.2.a	The trader has designated a contact person for all certification matters. This person keeps Fair Trade USA updated with all information relevant to certification.	All	Information relevant to certification includes, but is not limited to, any changes to the scope of the Trade Certificate, such as changes in sites, activities, or products, and changes to contact information or contact person.	

MODULE 1: General Requirements

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
1.1.2.b	Fair Trade USA has been informed of all sites included under the scope of the Trade Certificate where Fair Trade Certified products are handled (i.e. stored, processed, and packaged), including subcontracted facilities.	All	<p>Fair Trade USA must be informed of all sites and subcontractors to be included under the scope of the Trade Certificate upon initial certification. Any changes to the site and subcontractor list must be sent to Fair Trade USA within one month of the change.</p> <p>For further details on what sites, activities, and types of entities must be included under the scope of the Trade Certificate, see the Scope section of this standard and the separate document <i>Requirements for Certificate Scope under the Trade Standard</i>.</p>	
1.1.2.c	Timely and accurate reports are submitted to Fair Trade USA on all required Fair Trade transactions in accordance with timelines set by Fair Trade USA.	All	The required transactions and specific timelines for reporting applicable to each trader are defined by Fair Trade USA and communicated during the onboarding process. Fair Trade USA may request changes to the reporting frequency. Reporting timelines may be quarterly, bi-annual, or monthly depending upon the trader’s supply chain role and product.	
Objective 1.1.3: Fair Trade USA and approved Conformity Assessment Bodies perform assurance activities against the scope of the Trade Certificate.				
1.1.3.a	Audits proceed unobstructed, and all information and records necessary to complete the audit are made available to auditors and Fair Trade USA staff.	All	<p>Auditors and Fair Trade USA staff must be permitted access to any site that is included in the scope of the Trade Certificate, including subcontracted facilities.</p> <p>Information and records, such as purchase and sales records required in Module 3, must be accessible during an audit so that they can be made available to auditors and Fair Trade USA staff. See 3.1.1.b for further rules on the maintenance of purchase and sales records.</p>	Core
1.1.3.b	There is a written agreement with all separately managed entities under the Trade Certificate indicating they understand and agree to comply with their responsibilities under the Trade Standard and to facilitate Fair Trade audits.	All	<p>This includes any sites which are not directly managed by the Licensee. This can be a separate agreement or language in an existing agreement.</p> <p>It is best practice to share a copy of the Trade Standard as part of this agreement to ensure the entity understands their responsibilities and the requirements against which they will be audited.</p>	

MODULE 1: General Requirements

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
1.1.3.c	There is a written agreement with all subcontractors requiring them to comply with relevant compliance criteria related to traceability (Module 3). Agreements must also authorize Fair Trade USA or approved Conformity Assessment Bodies to conduct on-site audits of each entity.	All	Subcontractors are entities which handle Fair Trade Certified product, but do not take legal ownership of the product. Further details on requirements for subcontractors are described in the Introduction section of the Trade Standard under Scope and the separate document, <i>Requirements for Certificate Scope under the Trade Standard</i> . A single agreement may be written to cover both 1.1.3.b and 1.1.3.c with a subcontractor or subcontracted entity.	

SUB-MODULE 1.2: Product Sourcing

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 1.2.1: Fair Trade Certified products are only sourced from entities certified through Fair Trade USA or that have an authorization to trade issued by Fair Trade USA.				
1.2.1.a	Fair Trade Certified products are only sourced from entities that have a valid certificate through Fair Trade USA or that have an authorization to trade issued by Fair Trade USA.	All	This includes sourcing from both producers and other traders. A valid certificate means that entities have an active certification status. See 1.2.2 and 1.2.3 for rules on sourcing from suppliers with a suspended or decertified certificate.	Core
1.2.1.b	Fair Trade Certified products are only purchased from the Certificate Holder, not directly from the entities or sites included in the scope of the producer Certificate.	First buyers	Entities and sites independent from the Certificate Holder which are included in the scope of a producer Certificate may only sell product as Fair Trade Certified to their Certificate Holder or other entities included in the scope of their Certificate.	
Objective 1.2.2: Traders abide by the rules applicable during suspension.				
1.2.2.a	If the trader or their supplier or buyer are suspended, existing contracts or purchase agreements must be fulfilled during the suspension period.	All	This means that if an entity that a trader is buying from or selling to is suspended, existing contracts or purchase agreements with them should not be cancelled, and transactions should be fulfilled as defined in the contract or purchase agreement.	

MODULE 1: General Requirements

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
			<p>When a buyer is unable to fulfill an existing contract or purchase agreement with a suspended supplier, the justification for cancelling the transaction must be documented and sent to Fair Trade USA and the suspended supplier.</p> <p>The length of a suspension is typically three months for traders and six months for producers but may vary on a case-by-case basis. Note that failure to resolve non-compliances within the defined suspension period may lead to decertification, in which case all outstanding contracts and purchase agreements of Fair Trade Certified product must be cancelled (see Objective 1.2.3).</p>	
1.2.2.b	<p>If the trader or their supplier or buyer are suspended, new contracts or purchase agreements of Fair Trade Certified product are only signed if there is an existing trade relationship. The total volume of any new contracts or purchase agreements is limited to 50% of the volume of Fair Trade Certified product traded with that partner in the twelve months prior to the date of suspension.</p>	All	<p>A typical suspension period for a trader is one to three months, and a typical suspension period for a producer is one to six months. During a suspension, the creation of new trade relationships is not allowed. Existing trade relationships mean that commercial transactions have taken place in the previous twelve months.</p> <p>To enter into new contracts or purchase agreements with suspended entities, the trader must be able to prove an existing trade relationship and the volume traded in the twelve months prior to the date of suspension. The total volume traded must be calculated based on the volumes for which invoices have been issued in the prior twelve months.</p> <p>Apparel and Home Goods only: Due to the nature of how product lines are sourced in the apparel and home goods sector, the volume limitation is not applicable. If the trader or their supplier or buyer are suspended, new contracts or purchase agreements of Fair Trade Certified product may only be placed that can reasonably be fulfilled prior to the end of the suspension period (the decertification deadline).</p>	
Objective 1.2.3: Fair Trade Certified product is not sourced from or sold by decertified entities.				
1.2.3.a	<p>Fair Trade Certified product is not sourced from or sold by decertified entities.</p>	All	<p>This includes sourcing from both producers and other traders.</p> <p>For traders employing retro-certification, no product sourced from a decertified producer may be retro-certified while the producer is decertified, even if originally sourced prior to the date of decertification.</p>	Core

MODULE 1: General Requirements

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
1.2.3.b	Existing Fair Trade contracts or purchase agreements with entities that become decertified are cancelled immediately.	All	<p>This includes sourcing from both producers and other traders. After the date of decertification, no Fair Trade Certified product can be shipped. Any Fair Trade Certified products already ordered, in production, or in the suppliers' inventory not yet shipped by the decertification date must not be sold as Fair Trade Certified and cannot use the Fair Trade Certified seal or claim while the entity is decertified.</p> <p>If Fair Trade Certified product has already been shipped or legal ownership of the product has been transferred prior to the date of decertification, the product must be accepted and the required Fair Trade Price and Premium must be paid. Product is considered shipped once the seller has fulfilled the delivery obligations as defined in the terms of trade (see 2.3.2.a).</p> <p>If the supplier was in good standing (i.e. the producer was certified) at the time of transfer of ownership but a subsequent decertification occurred, then the product purchased can be sold as Fair Trade Certified in business-to-business transactions and direct-to-consumers indefinitely.</p> <p>If a supplying producer is decertified and Premium is still owed to the producer, the Fair Trade Premium Payer and Conveyor must contact Fair Trade USA within 15 days to verify how Premium is to be paid back to the producer.</p>	

SUB-MODULE 1.3: Use of Fair Trade Certified Seal and Claims

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 1.3.1: Only licensed partners of Fair Trade USA use the Fair Trade Certified seal or claim in association with Fair Trade Certified product.				
1.3.1.a	The Fair Trade Certified seal and claim is only used for Fair Trade Certified product.	All	This includes finished and un-finished product. See 1.2.1.a for rules on product eligible to be labeled as Fair Trade Certified. Non-Fair Trade Certified products or ingredients may never be stored or packaged with the Fair Trade Certified seal and may never be indicated directly or indirectly as Fair Trade Certified in purchase or sales documentation. This includes products purchased as Fair Trade Certified that are later sold as non-Fair Trade Certified.	Core

MODULE 1: General Requirements

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
1.3.1.b	Only licensed partners of Fair Trade USA use the Fair Trade Certified seal and claim.	All	As required in 1.1.1.a, licensed partners have signed an agreement with Fair Trade USA. This includes the use of the Fair Trade Certified seal or claim on finished product and in promotional materials (such as brochures, websites or wholesale packaging).	Core
1.3.1.c	Usage of the Fair Trade Certified seal and claim on product packaging, marketing, and promotional materials is in accordance with the <i>Fair Trade Certified Seal & Language Use Guide</i> .	All	This includes use of the appropriate Fair Trade Certified seal and statements of impact, according to the composition of the final product.	Core
1.3.1.d	Usage of the Fair Trade Certified seal on product packaging, marketing, or promotional materials has received prior approval from Fair Trade USA.	All	Contact your account manager to request approval for use of the Fair Trade Certified seal.	Core

SUB-MODULE 1.4: Labor Rights

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 1.4.1: Labor laws and international conventions are respected.				
1.4.1.a	There is no indication of violation of applicable labor laws or of the ILO Core Conventions ² .	All	Applicable labor laws include local and national laws in countries and regions where business is conducted. If any stakeholder notices a violation of labor laws or the ILO Conventions and makes an allegation to Fair Trade USA or approved Conformity Assessment Bodies or auditors observe any major unacceptable labor practice, this will trigger Fair Trade USA to conduct a deeper investigation into the issue.	Core

² The ILO Core Conventions include: Forced Labour Convention, 1930 (No. 29); Abolition of Forced Labour Convention, 1957 (No. 105); Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87); Right to Organise and Collective Bargaining Convention, 1949 (No. 98); Minimum Age Convention, 1973 (No. 138); Worst Forms of Child Labour Convention, 1999 (No. 182); Equal Remuneration Convention, 1951 (No. 100); and, Discrimination (Employment and Occupation) Convention, 1958 (No. 111).

SUB-MODULE 1.5: Environmental Protection

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 1.5.1: Environmental laws are respected				
1.5.1.a	There is no indication of violation of applicable environmental laws.	All	<p>This includes only using pesticides or other hazardous chemicals that are approved for use in the country.</p> <p>If any stakeholder notices a major violation of environmental laws and makes an allegation to Fair Trade USA or approved Conformity Assessment Bodies or auditors observe any major unacceptable environmental practice, this will trigger Fair Trade USA to conduct a deeper investigation into the issue.</p>	Core
1.5.1.b	Pesticides listed on Fair Trade USA's Red List of Prohibited Pesticides are not used on Fair Trade Certified product.	All	This applies to any pesticide used by parties included in the scope of the Trade Certificate while handling Fair Trade Certified product, such as for product fumigation. It does not apply to the use of prohibited substances on non-Fair Trade Certified crops or for other uses in the facility, such as rat traps.	Core

MODULE 2: Economic Development

Fair Trade USA requires payment of a Fair Trade Premium, a set amount of money that goes back to producers and their communities, in addition to the payment of a fair market price. 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 USA standards require that the price paid for Fair Trade Certified product rises with the market price, yet never drops lower than the Fair Trade Minimum Price in times of low market prices.

This module also requires that Fair Trade buyers are reliable business partners with Fair Trade producers. Fair Trade buyers sign purchase agreements with Fair Trade producers and deliver on their purchase commitments. Traders must only engage in fair and transparent trading practices. Some traders are also required to support producers in loan applications or provide access to pre-finance.

Please note that the term 'producer' as used throughout the Trade Standard refers to the Certificate Holder of a producer Certificate issued by Fair Trade USA or that have an authorization to trade issued by Fair Trade USA. A producer could represent a group of smallholder farmers, a fishing association or cooperative, an individual factory, or a large farm. Traders may only engage in commercial transactions with the Certificate Holder, and not individual members of a producer Certificate.

The Fair Trade Price refers to the product price required to be paid by Fair Trade Price Payers and Conveyors taking into account the requirements in Sub-module 2.1, including relevant market price, Fair Trade Minimum Price, and appropriate price adjustment.

SUB-MODULE 2.1: Fair Trade Price Requirements

These requirements are intended to ensure that producers receive fair market prices for their product, and for some products to receive at least a Fair Trade Minimum Price. The final price required to be paid by Fair Trade Price Payers and Conveyors, considering the requirements below on relevant market price, Fair Trade Minimum Price, and appropriate price adjustment, is referred to as the Fair Trade Price.

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 2.1.1: Producers always receive at least the relevant market price for Fair Trade product.				
2.1.1.a	Price paid for Fair Trade Certified product is at least the relevant market price.	Fair Trade Price Payers and Conveyors	The intent of this criterion is that producers always receive fair market value for their product. The value of the Fair Trade Premium shall not be considered when negotiating product price, and product price shall not be discounted to absorb the cost of the Premium. For products with a Fair Trade Minimum Price (FTMP), if the relevant market price is lower, then the FTMP applies (see Objective 2.1.2).	Core

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
			<p>The relevant market price is typical market price for equivalent products. It is generally the price negotiated between the buyer and supplier, where there is no defined reference price. This price must not be significantly different than prices negotiated for product of similar type and quality specifications.</p> <p>Coffee and cocoa products have defined relevant market price references which must be followed. These are listed in a separate document, <i>Special Price and Premium Terms</i>. In countries where prices are regulated by the government, the official price set by the national government is the market price reference. If the price is set at a different Incoterm³ level, product form, or currency than where product is purchased, appropriate conversions, additions, or deductions must be made. These must be defined and agreed to in advance by both parties in the Fair Trade Agreement, as required in 2.3.1.c. See guidance on adjusting Incoterm levels in Annex A.</p> <p>For coffee, the relevant market price paid must include any applicable differentials, including any organic differential as defined in the <i>Price and Premium Database</i>, and any prevailing quality and origin differentials. Further details on price calculation for coffee are explained in Annex B.</p>	
Objective 2.1.2: Where a Fair Trade Minimum Price is defined, producers always receive at least the Fair Trade Minimum Price for Fair Trade Certified product.				
2.1.2.a	For products with a defined Fair Trade Minimum Price, the price paid for Fair Trade Certified product is at least the Fair Trade Minimum Price (FTMP).	Fair Trade Price Payers buying product with a Fair Trade Minimum Price	<p>Product with a FTMP is listed in Fair Trade USA's <i>Price and Premium Database</i>. The FTMP represents the minimum that can be paid for a product. It only applies when the relevant market price is lower than the FTMP, otherwise the relevant market price must be paid (see 2.1.1.a). Discounts for quality or to absorb the cost of the Premium shall never be applied to the FTMP.</p> <p>If the FTMP is set at a different level than that at which product was purchased (different product type, form, or Incoterm) the price paid must be adjusted accordingly (see 2.1.2.c).</p>	Core

³ "Incoterms", or "International Commercial Terms", is a trademark of the International Chamber of Commerce. For more information see the ICC's website: <https://iccwbo.org/resources-for-business/incoterms-rules/>

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
			<p>If a new or updated FTMP is set by Fair Trade USA, all purchase agreements and contracts signed after the effective date must reflect the new pricing. Existing contracts are honored at the price originally agreed upon. In the case of price-to-be-fixed contracts, the FTMP of the day that the contract was signed applies.</p> <p>For cocoa in countries where prices are regulated by the government, such as Ghana or Côte d'Ivoire, the price paid to a producer must follow the government price. If the government price is below the FTMP, a Fair Trade Adjustment must be paid to the producer along with the Premium. The Fair Trade Adjustment is equal to the difference between the required FTMP and the initial price paid.</p>	
2.1.2.b	Fair Trade Conveyors ensure that producers receive at least the appropriate Fair Trade Minimum Price for Fair Trade Certified product.	Fair Trade Price Conveyors buying product with a Fair Trade Minimum Price	<p>Fair Trade Conveyors buying product with a FTMP must always be able to demonstrate that producers received at least the appropriate FTMP for all Fair Trade Certified product. If the FTMP is set at a different level than that at which product was purchased (different product type, form, or Incoterm) the price paid to the producer must be adjusted accordingly (see 2.1.2.c).</p> <p>Best practice is to always pay at least the appropriate FTMP upon initial purchase of all Fair Trade Certified product. This means that all contracts or purchase orders, invoices, and proofs of payment must show that the negotiated price and payments made are above the FTMP.</p> <p>If the relevant market price is below the appropriate FTMP, the Conveyor may choose to pay only the market price upon initial purchase of Fair Trade Certified product. The Conveyor then must make a secondary payment of the Fair Trade Adjustment to the producer. The Fair Trade Adjustment is equal to the difference between the required FTMP and the initial price paid by the Conveyor.</p> <p>The Fair Trade Adjustment must be paid no later than 15 days after receipt of payment from the Fair Trade Price Payer (see 2.1.3.d). Records must be kept of the initial price and payments, calculation of the Fair Trade Adjustment, and proof of payment of the Fair Trade Adjustment.</p>	Core

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
2.1.2.c	If the Fair Trade Minimum Price is set at a different level than that at which product was purchased (different product type, form, or Incoterm) the price paid is adjusted accordingly. All calculations are transparent, reasonable, and justifiable.	Fair Trade Price Payers and Conveyors buying product with a Fair Trade Minimum Price	<p>Calculations for Incoterm adjustment and processing conversion must be defined and agreed to in advance by both parties in the Fair Trade Agreement, as required in 2.3.1.c. This must include any necessary exchange rates if the price is paid in a different currency.</p> <p>If product is purchased at a different Incoterm level, appropriate additions or deductions for shipping, packaging or other related expenses must be made. See guidance on adjusting Incoterm levels in Annex A.</p> <p>For purchases of transformed Fair Trade Certified product, the FTMP is calculated based on the amount of unprocessed Fair Trade Certified product used as inputs and product processing costs. Records of conversion rates and processing losses, as required in 3.1.3.a, must be used to make these calculations. If a FTMP exists for the processed product (e.g. cured vanilla), this calculation is not necessary, and the defined price must be used as the minimum.</p>	Core
Objective 2.1.3: The product price is paid in a timely and verifiable manner.				
2.1.3.a	Payments for the product price are made as soon as possible and no later than 30 days after the date of the product invoice.	Fair Trade Price Payers and Conveyors, except of apparel and home goods	<p>The intent of this requirement is to ensure there is no undue delay in payment to Fair Trade Conveyors or producers. Where national laws govern payment terms, these must be followed (i.e. the Perishable Agricultural Commodities Act (PACA) in the US).</p> <p>The buyer and supplier may mutually agree upon an alternative payment timeline that is fair and reasonable. This must be recorded as part of the Fair Trade Agreement and must include a justification for the longer payment timeline. “Fair and reasonable” means that the payment timeline cannot diverge significantly from common industry practice and it cannot put undue burden on one party. Even with appropriate justification, mutually agreed-upon, alternative Price payments must be made no later than 90 days after the date of the product invoice.</p> <p>Conveyors must adhere to the 30-day maximum payment timeline in relation to initial product price payments. If paying a Fair Trade Adjustment on products with a FTMP, they must follow the timeline requirements defined in 2.1.3.d for the Adjustment.</p> <p>See 3.5.1.f for requirements regarding Fair Trade Adjustment payment timelines when retro-certification is employed.</p>	

MODULE 2: Economic Development

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
			<p>It is best practice to make payments of the Fair Trade Premium at the same time as product price payments (see 2.2.2), especially for producers which are democratically-organized smallholder organizations, as long as the Premium payment is clearly identifiable.</p>	
2.1.3.b	<p>Payments for the product price are made as soon as possible and no later than 45 days after the date of the product invoice.</p>	<p>Fair Trade Price Payers and Conveyors of apparel and home goods</p>	<p>The intent of this requirement is to ensure there is no undue delay in payment to Fair Trade Conveyors or producers. Where national laws govern payment terms, these must be followed.</p> <p>The buyer and supplier may mutually agree upon an alternative payment timeline that is fair and reasonable. This must be recorded as part of the Fair Trade Agreement and must include a justification for the longer payment timeline. Fair and reasonable means that the payment timeline cannot diverge significantly from common industry practice and it cannot put undue burden on one party. Even with appropriate justification, mutually agreed-upon, alternative price payments must be made no later than 90 days after the date of the product invoice.</p>	
2.1.3.c	<p>Price payments are documented, traceable, and made in the correct currency.</p>	<p>Fair Trade Price Payers and Conveyors</p>	<p>Documentation of price payments must be linked to specific transactions of Fair Trade Certified product and include reference to the related product invoice(s). Amounts for product price payments must always be distinguishable from Premium payments in documentation. Where the Price and Premium are intended to be received by the same entity, such as when a small producer organization is the CH, payment can be made in a single transfer as long as Price and Premium amounts are clearly defined in the invoice and purchase orders so both the buyer and seller can verify amounts.</p> <p>Note that 3.1.1.b requires that purchase and sales documentation, including evidence of price payments, be maintained for a minimum of three years; if the product is not sold within three years, records must be maintained until product sale.</p> <p>Acceptable forms of traceable payments include, for example, a bank transfer or letter of credit. Where checks are the standard form of payment, they may be used as long as they are paid to the producer Certificate Holder bank account rather than to an individual.</p>	

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
			The form of payment, currency, and if needed, the source of the exchange rate to be used must be defined and agreed to in advance by both parties in the Fair Trade Agreement, as required in 2.3.1.b.	
2.1.3.d	The Fair Trade Adjustment is conveyed to the producer as soon as possible and no later than 15 days after receipt from the Fair Trade Price Payer.	Fair Trade Price Conveyors	The Fair Trade Adjustment is only necessary for products with a FTMP, where the Conveyor did not initially pay the required FTMP. The Fair Trade Adjustment is equal to the difference between the required FTMP and the initial price paid by the Conveyor (see 2.1.2.b).	

SUB-MODULE 2.2: Fair Trade Premium Requirements

Fair Trade Premium is designed to help producers and workers create better livelihoods for themselves. Producers and workers collectively choose how Fair Trade Premium funds are allocated to implement projects to support themselves and their communities, as outlined in Fair Trade USA’s standards that apply at the producer level.

Fair Trade Premium Payers are responsible for paying the Fair Trade Premium. Where applicable, Fair Trade Conveyors are responsible for passing the Fair Trade Premium on to the producer.

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 2.2.1: The correct amount of Fair Trade Premium is paid and reaches the producer.				
2.2.1.a	The correct amount of Fair Trade Premium is paid on all purchases to relevant producers and Fair Trade Conveyors. No deductions are ever made to the Premium amount owed.	Fair Trade Premium Payers	Relevant producers and Fair Trade Conveyors include all entities that supplied Fair Trade Certified product to the Fair Trade Premium Payer. In circumstances where the Premium Payer is not buying directly from a producer, they may either pay the Premium to the producer directly or convey it through the Conveyor.	Core

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
			<p>Premium rates are defined in the Fair Trade USA <i>Price and Premium Database</i>. For most products the Premium is a set amount for a certain product volume and product form or stage of processing. Fair Trade Premium is calculated and paid based on the volume of product purchased except in cases where there is no 'purchase', such as under consignment and/or within Multi-Scope Entities that are vertically-integrated supply chains. In such cases, the Fair Trade Premium is calculated and paid on the volume of product sold as Fair Trade Certified by the Fair Trade Premium Payer (see 3.6.3.a for detail on paying Premium under consignment).</p> <p>Premium must be paid in addition to the product price. The Fair Trade Premium Payer shall never make any deductions to the Premium amount owed. This includes bank fees or other transaction costs, which must be covered by the Premium Payer (but does not include applicable taxes nor bank fees charged to the Premium recipient).</p> <p>When Fair Trade Certified product is purchased from the producer or Conveyor in a different product form, stage of processing, or as a composite product, the correct amount of Premium is calculated based on the amount of all unprocessed Fair Trade Certified products used as inputs. Records of conversion rates and processing losses, as required in 3.1.3.a, must be used to make these calculations and must be communicated to the Payer by the Conveyor. If a Premium exists for the processed product (e.g. cured vanilla), this calculation is not necessary, and the defined Premium must be used.</p> <p>All calculations for Fair Trade Premium shall be fair, transparent, and shared with the producer (see 2.3.1.c and 2.3.2.b). If a new or updated Premium is set by Fair Trade USA, all purchase agreements and contracts signed after the effective date must reflect the new Premium. Existing agreements are honored for the Premium amount originally agreed upon.</p>	
2.2.1.b	The Premium is conveyed to the relevant producers. No deductions are ever be made to the Premium amount owed.	Fair Trade Premium Conveyors	Relevant producers include all entities that supplied Fair Trade Certified product to the Fair Trade Conveyor who did not receive Premium payments directly from the Fair Trade Premium Payer.	Core

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
			<p>All Premium received by the Conveyor must be conveyed to the producers without any deductions made. This includes bank fees or other transaction costs, which must be covered by the Conveyor (but does not include applicable taxes nor bank fees charged to the Premium recipient).</p> <p>If the Conveyor is mixing and selling product from more than one producer, where this is allowed under mass balance or when forming a composite product, they must calculate the percentage composition of the product from each producer to calculate the relevant product volume and Premium owed to each producer.</p>	
2.2.1.c	Where Premium is set as a percentage of product price, the calculation and payment of Premium are based on the original negotiated product price.	Fair Trade Price and/or Premium Payers and Conveyors	If any deductions are subsequently made to product price (e.g. for quality or delivery claims, or a discount for on-time payment), they cannot affect the Premium calculation. If product is rejected entirely due to a quality claim, no Premium is owed on that product.	Core
2.2.1.d	The Fair Trade Premium is paid to the correct Fair Trade Committee bank account(s), or alternative account as defined in the Fair Trade Agreement.	Fair Trade Premium Payers and Conveyors	<p>In circumstances where the Fair Trade Premium Payer is not buying directly from a producer, they may either pay the Premium to the producer directly or convey it through the Fair Trade Conveyor. The Premium Payer and Conveyor must agree on how the Premium will be paid to the Conveyor as part of the Fair Trade Agreement.</p> <p>Premium Payers or Conveyors that are making payments of Premium directly to producers should pay the Premium directly to the Fair Trade Committee (FTC) bank account. Note that under 2.2.2.f, the producer Certificate Holder must be notified of any Premium payments made directly to the FTC.</p> <p>Where payment directly to an FTC bank account is not feasible, Premium payment may be made to a Premium trust fund, Premium channel, or another third party (such as the producer Certificate Holder). The rationale for this alternative arrangement must be agreed to by the Premium Payer or Conveyor and the producer Certificate Holder on behalf of the FTC(s). It must be recorded as part of the Fair Trade Agreement (see 2.3.1.b).</p>	

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 2.2.2: Premium is paid in a timely and verifiable manner.				
2.2.2.a	Payments of Fair Trade Premium are made as soon as possible and no later than 30 days after the date of the product invoice.	Fair Trade Premium Payers, except of apparel and home goods	<p>Fair Trade Premium Payers which receive frequent shipments of Fair Trade product may make aggregated monthly Premium payments, per 2.2.2.c.</p> <p>It is best practice to make payments of the Premium at the same time as product price payments (see 2.1.3), especially for producers which are democratically-organized smallholder organizations, as long as the Premium payment is clearly identifiable.</p> <p>If no product invoice is issued, for example in Multi-Scope Entities where the producer Certificate Holder is the Premium Payer, then Premium must be paid no later than 30 days after the product has been sold on by the Premium Payer.</p> <p>See 2.2.2.d for requirements related to alternative Premium payment timelines.</p> <p>See 2.2.2.e for requirements of Conveyors to convey the Premium to producers.</p>	
2.2.2.b	Payments of Fair Trade Premium are made as soon as possible and no later than 45 days after the date of the product invoice.	Fair Trade Premium Payers of apparel and home goods	<p>If no product invoice is issued, for example in Multi-Scope Entities where the producer Certificate Holder is the Premium Payer, then Premium must be paid no later than 45 days after the product has been sold on by the Premium Payer.</p> <p>See 2.2.2.d for requirements related to alternative Premium payment timelines.</p> <p>See 2.2.2.e for requirements of Conveyors to convey the Premium to producers.</p> <p>This criterion is intended to ensure that Premium payment is closely linked to its associated product and that factories and their Fair Trade Committees receive Premium in a timely and predictable manner. This requires Premium Payers and factories to communicate clearly and agree to how and when Premium will be invoiced.</p>	

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
2.2.2.c	<p>Where payments of Fair Trade Premium are made monthly (per calendar month);</p> <ul style="list-style-type: none"> • This is mutually agreed to in writing; and, • Payment of Premium is made no later than 15 days after the end of the respective month. 	<p>Fair Trade Premium Payers that receive frequent shipments of Fair Trade Certified product</p>	<p>Only Fair Trade Premium Payers that receive frequent shipments of Fair Trade Certified product are eligible to aggregate Fair Trade Premium into monthly payments. “Frequent shipments” are defined as two or more shipments in a calendar month.</p> <p>Note that producer Certificate Holders that are Premium Payers (both one entity) are also required to adhere to this criterion.</p> <p>The producer Certificate Holder, on behalf of the FTC(s), must agree to a monthly payment schedule, and this must be recorded as part of the Fair Trade Agreement with the Fair Trade Premium Payer. Each payment of Premium must include clear accounting of the amount of Fair Trade Certified product purchased or sold over the course of the month as well as Premium owed.</p>	
2.2.2.d	<p>The Fair Trade Premium Payer and producer may mutually agree upon a different payment schedule. Alternative Premium payment timelines are mutually beneficial and should be in the best interest of the producer. Payments of all Premium are made at least quarterly.</p>	<p>Fair Trade Premium Payers</p>	<p>The producer Certificate Holder, on behalf of the FTC(s), must agree to an alternative payment schedule for the Premium, and this must be recorded as part of the Fair Trade Agreement with the Premium Payer. This must include a justification for the alternative timeline. The alternative timeline should not negatively interfere with the implementation and ongoing funding of Premium projects, for example, projects intended to support migrant workers which are only on-site for a limited amount of time, or farm inputs which need to be purchased by a certain time.</p> <p>Where a Conveyor is necessary to facilitate this agreement, the Conveyor may discuss alternative payment timelines with the Premium Payer on behalf of the producer. The alternative timeline must be included in the Fair Trade Agreement the Conveyor has with the Premium Payer and producer. Note that the Conveyor must still convey the Premium to the producer in the required timeframe upon receipt from the Premium Payer (2.2.2.e).</p> <p>Premium payments are made at least quarterly. Quarterly payments must be made no later than 30 days after the end of each quarter. Each payment of Premium must include clear accounting of the amount of Fair Trade Certified product purchased over the applicable timeframe, as well as Premium owed.</p>	

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
			See 3.5.1.f for requirements regarding Premium payment timelines when retro-certification is employed.	
2.2.2.e	The Fair Trade Premium is conveyed to the producer as soon as possible and no later than 15 days after receipt from the Fair Trade Premium Payer.	Fair Trade Premium Conveyors	This requirement does not apply in cases where the Premium Payer pays the Premium directly to the producer.	
2.2.2.f	Premium payments are documented, traceable, and made in the correct currency.	Fair Trade Premium Payers and Conveyors	<p>Documentation of Fair Trade Premium payments must be linked to specific transactions of Fair Trade Certified product and include reference to the related product invoice(s) or order where there is no invoice. Premium payments must always be distinguishable from product price payments. Where the Price and Premium are intended to be received by the same entity, such as when a small producer organization is the CH, payment can be made in a single transfer as long as Price and Premium amounts are clearly defined in the invoice and purchase orders so both the buyer and seller can verify amounts.</p> <p>Note that 3.1.1.b requires that purchase and sales documentation, including evidence of price payments, be maintained for a minimum of three years; if the product is not sold within three years, records must be maintained until product sale. To ensure traceability of Premium payments, for any payments which are made directly to the Fair Trade Committee (FTC) bank account (see 2.2.1.d), a notification must be sent to the producer Certificate Holder confirming payment has been made and can be linked to specific transactions of Fair Trade Certified product.</p> <p>Acceptable forms of traceable payments include, for example, a bank transfer or letter of credit. Where checks are the standard form of payment, they may be used as long as they are paid to the producer Certificate Holder or FTC bank account rather than to an individual. The form of payment, currency set, and if necessary, the source of the exchange rate to be used, must be defined and agreed to in advance by both parties in the Fair Trade Agreement, as required in 2.3.1.b.</p> <p>Note that communication and calculation of Premium owed is required in all Fair Trade Agreements (see 2.3.1.c and 2.3.2.b).</p>	

SUB-MODULE 2.3: Transparent Trade Relationships and Purchase Agreements

Clear trade terms and purchase agreements are important for both buyers and sellers to ensure all parties understand their roles and responsibilities, rights, and mechanisms for resolving disputes. The requirements in this sub-module outline minimum requirements for trade terms that must be defined in contracts or agreements between the producer, the Fair Trade Price and/or Premium Payer, and the Fair Trade Conveyor, in order to support mutually beneficial trade relationships and the functioning of the Fair Trade program. It also includes instructions for situations where a price-to-be-fixed purchase agreement is used, and where a broker is involved in facilitating purchases.

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 2.3.1: There is a written Fair Trade Agreement defining the operation of the Fair Trade program and the roles and responsibilities of the Fair Trade Price and/or Premium Payer and Conveyor to the producer.				
2.3.1.a	There is a signed written agreement (the Fair Trade Agreement) with each supplying Fair Trade producer and Fair Trade Conveyor defining the structure of the Fair Trade program and roles and responsibilities.	Fair Trade Price and/or Premium Payers and Conveyors	<p>The Fair Trade Agreement can be incorporated into existing agreements and can take the form of an MOU, contract, master purchase agreement, or other written document signed by both parties. The Agreement must be in a language that the producer can understand. It must be signed prior to the purchase of Fair Trade Certified product.</p> <p>The intent is to ensure that the components required in 2.3.1, defining roles and responsibilities for payment of Fair Trade Price and/or Premium, are understood and agreed upon by all relevant parties, and that this is recorded in a written document.</p> <p>The buyer is responsible for drawing up the Agreement unless another arrangement is agreed upon.</p> <p>Where there is a Conveyor between the producer and the Price and/or Premium Payer, it is best practice for the Fair Trade Agreement to be a tripartite agreement between the Price and/or Premium Payer, Conveyor, and producer to ensure all parties have a clear understanding of the communication and transference of Fair Trade Price and Premium from the Price and/or Premium Payer to the producer.</p>	Core
2.3.1.b	<p>The Fair Trade Agreement defines:</p> <ul style="list-style-type: none"> • The party responsible for payment of the Fair Trade Price and Premium; 	Fair Trade Price and/or Premium Payers and Conveyors	<p>Payment terms must include:</p> <ul style="list-style-type: none"> • A specification of the transparent and traceable form of payment that will be used (see 2.1.3 and 2.2.2.f); 	Core

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
	<ul style="list-style-type: none"> • Payment terms for Fair Trade Price and Premium; and, • The date and duration of the agreement. 		<ul style="list-style-type: none"> • Payment timelines, in compliance with Fair Trade program requirements as defined in Sub-modules 2.1 and 2.2; and, • Indication of the bank account to which Premium will be paid (see 2.2.1.d). Note, that recently certified producers might not yet have established a separate bank account for payment of the Premium to the FTC, and so Premium payments may go directly to the producer Certificate Holder. <p>The Agreement duration must, at a minimum, cover one full trading season. The Agreement must be reviewed and updated as needed, such as when a Premium rate change is issued by Fair Trade USA, or if the bank account to which Premium will be paid changes.</p> <p>Where the Premium Payer wishes to pay Premium directly to the producer and there is a Conveyor between the producer and Premium Payer, the Agreement must include a commitment by the Conveyor to inform the Premium Payer of the correct Premium amount owed to each relevant producer, considering any processing or mixing done by the Conveyor.</p>	
2.3.1.c	The Fair Trade Agreement includes a description of the process for calculation of the Fair Trade Price and Fair Trade Premium, including the source and determination of the exchange rate to be used, if applicable.	Fair Trade Price and/or Premium Payers and Conveyors	<p>Price and Premium calculations must comply with requirements outlined in Sub-Modules 2.1 and 2.2.</p> <p>Price calculations must include:</p> <ul style="list-style-type: none"> • For coffee and cocoa, the relevant market price reference to be used (such as LIFFE or ICE); • Reference to the Fair Trade Minimum Price when one is defined in Fair Trade USA’s <i>Price and Premium Database</i>; • Detailed calculation of any conversion rates, processing losses, and itemized deductions to be applied to the relevant market price and/or FTMP, in accordance with 2.1.2.c and Annex A; and, • How organic, quality, and origin differentials will be determined and applied to the relevant market price and/or FTMP, if applicable. 	

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
			<p>For products with no defined relevant market price reference or FTMP, it may be that determination of the price will be set as negotiated between the buyer and seller. It is best practice to include reference to sources of information for the market price, for example international market price references, official prices set by the national government, or a publication by a neutral source of market price averages.</p> <p>Premium calculations must include:</p> <ul style="list-style-type: none"> • Premium rate as defined in Fair Trade USA's <i>Price and Premium Database</i>; and • Conversion rate calculations. <p>Where either Price or Premium are defined in a different currency set than what is to be paid, the Agreement must include reference to a third-party source for the exchange rate and how the date of the exchange rate used will be set.</p>	
Objective 2.3.2: First buyers have a written agreement with suppliers that clearly defines the terms of trade for each purchase order.				
2.3.2.a	<p>There is a signed written agreement with suppliers defining the overarching terms of trade for Fair Trade Certified product, including:</p> <ul style="list-style-type: none"> • Quality check inspection and claim procedure; • Description of the liability of each party; • Dispute resolution procedure & jurisdiction; • Mutual termination rights; • Definition of, or reference to, "Force Majeure"; • How the system of orders will function; and, 	Fair Trade Price and/or Premium Payers and Conveyors	<p>The intent of this requirement is to ensure that the terms of trade are transparent, clearly understood, and mutually agreed upon by both parties. These terms protect both buyers and sellers as well as growers' agents and support the development of a productive trading relationship. It is recommended to use Incoterm rules to define the liability of each party.</p> <p>These components must be included in either the Fair Trade Agreement, purchase order, or other written document signed by both parties. It must be written in a language that the producer can understand.</p> <p>For produce, quality claims, such as the rejection of product or a breach of warranty, and other terms must meet the requirements of PACA law. See <i>Guidance on the Use of Consignment</i> for information on how Objective 2.3.2 applies to growers' agents.</p> <p>It is best practice for quality claims to be verified by an independent agent.</p>	Core

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
	<ul style="list-style-type: none"> Commitment to provide estimates of order volumes at a cadence that works for both parties (e.g. annually). 		<p>For coffee, best practice is for agreement terms to follow guidance from the Green Coffee Association on Contract Terms and Conditions⁴. See 2.5.2.c for requirements relating to the termination of trading relationships and responsible exit strategies.</p> <p>The description of how the system of orders will function defines when and how specific orders will be confirmed. This must include how any change requests will be made and expected lead times, if applicable.</p> <p>The commitment to provide estimates of order volumes is intended to support open communication and planning between buyers and suppliers in a manner that works for both parties. These volume estimates are non-binding, though 2.5.2.b encourages buyers and suppliers to work together to improve the accuracy of these estimates over time.</p>	
2.3.2.b	<p>There is documentation of the final purchase orders made for Fair Trade Certified product, which at minimum includes:</p> <ul style="list-style-type: none"> The date; Agreed volumes; Product description, including quality requirements and characteristics and an indication of which items (or entire order) are Fair Trade Certified (see 3.1.2.a); Fair Trade Premium owed, and how it was calculated; 	Fair Trade Price and/or Premium Payers and Conveyors	<p>The purchase order information can take the form of a contract, purchase order, or other document that defines final purchase amounts. The information may also be part of an electronic system, as long as the required information is accessible by both buyer and seller as well as Fair Trade USA and its auditors.</p> <p>The amount of Premium owed must always be clearly distinguishable from the price.</p> <p>The price per unit is clearly identifiable, as is the calculation of the price for products with a defined relevant market price or Fair Trade Minimum Price.</p> <p>For coffee, the price calculation must include a description of any applicable differentials (see 2.1.1.a). These differentials must be documented and agreed to, even if purchase agreements are signed on a price-to-be-fixed basis.</p>	Core

⁴ http://www.greencoffeeassociation.org/images/uploads/resources/PROFESSIONAL_RESOURCES_-_Contract_Terms_Conditions.pdf

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
	<ul style="list-style-type: none"> • Fair Trade Price (or when and how the Fair Trade Price will be fixed), and how it was calculated (see 2.3.4) ; • Delivery terms (using Incoterms); and, • Any other conditions for purchase (e.g. legal requirements). 		<p>Premium calculations, at a minimum, must include the volume of Fair Trade Certified product and relevant Premium rate. Per 2.3.1.c, where Premium is set at a percentage rate of product price, the calculation and payment of Premium must be based on the original negotiated product price.</p> <p>For Premium Payers purchasing processed product from a Conveyor, the Conveyor may need to inform the Payer of the appropriate Premium calculation to consider all conversion rates and processing losses (see 2.3.1.b).</p> <p>If a Conveyor is not capable of calculating the Premium owed on the purchase order (e.g. if Premium is based on a percentage of the product price paid by the Payer), Premium is not required on the purchase order. The Fair Trade Agreement must define the process for calculating and communicating Premium owed to the producer (see 2.3.1.b).</p> <p>Premium amount may be omitted from the purchase order as long as information in the purchase order and Fair Trade Agreement (or other mutually-agreed upon document) are sufficient and clear to allow the trader, producer, and Fair Trade USA to clearly calculate Premium owed. This means the Fair Trade Agreement or other written agreement must clearly define the Premium calculation process and final purchase orders clearly define price and final purchase volumes of Fair Trade Certified product.</p>	
Objective 2.3.3: The Fair Trade Agreement and all purchase orders are honored. Any changes, disputes or other claims are documented.				
2.3.3.a	All elements of the Fair Trade program and transactions fixed in the Fair Trade Agreement, Purchase Agreement, and purchase order are honored, unless both parties agree to a change in writing.	Fair Trade Price and/or Premium Payers and Conveyors		Core

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
2.3.3.b	All claims on quality, liability, terminations, invocations of “Force Majeure,” and other disputes related to the Fair Trade Agreement or purchase order are documented. Any deductions to the agreed price as a result of such claims are fair and transparent.	Fair Trade Price and/or Premium Payers and Conveyors	Wherever a dispute or other claim is made concerning a Fair Trade purchase, the reason for the claim and actions taken must be documented in order to have a record demonstrating that both parties complied with all aspects of the Fair Trade Agreement and purchase order. Any deductions made to the agreed price as a result of quality claims or other issues, must be clearly documented and communicated to the producer. These deductions must comply with the terms of trade as defined in the agreement required in 2.3.2.a.	
Objective 2.3.4: Where purchase agreements or contracts are signed on a price-to-be-fixed basis, the process for price fixation is transparent and documented.				
2.3.4.a	The buyer and seller may mutually agree to a purchase contract with the price-to-be-fixed for any future delivery date. The contract documents when and how the price will be fixed.	Fair Trade Price Payers and Conveyors using a price-to-be-fixed contract	See 2.3.2.b on requirements for purchase order documentation.	
2.3.4.b	In the case of price-to-be-fixed contracts, the price fixation is done at the seller's (producer's) call.	Fair Trade Price Payers and Conveyors using a price-to-be-fixed contract	The buyer may apply a deadline on the price-to-be-fixed clause, when it is reasonable to consider that the producer has procured the product. A careful use of stop loss orders during the harvest period, mutually agreed between buyer and producer, can be used as part of a price risk management strategy. The buyer is not allowed to impose a stop loss order upon the producer before the harvest starts and the coffee is procured. If the seller is a Conveyor, they must act in the best interest of the producer when negotiating price.	

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
2.3.4.c	<p>The price fixation is documented. It includes, at minimum:</p> <ul style="list-style-type: none"> • Date of fixation; • Price in clear per-unit terms; • Shipment month and year that were on the contract; and, • Reference to the original contract number. 	<p>Fair Trade Price Payers and Conveyors using a price-to-be-fixed contract</p>	<p>If a price fixation letter is used, the date of the letter will be used as the price fixation date. Otherwise the date of fixation must be specified in the price fixation documentation.</p> <p>The per-unit price and shipment month and year must be clearly identifiable in order to ensure the price is in compliance with requirements for relevant market price and Fair Trade Minimum Price, as defined in the <i>Price and Premium Database</i>.</p> <p>Per 2.3.2.b, the final price paid must include any pre-defined differentials.</p>	
2.3.4.d	<p>The Fair Trade Price Payer has used an outright priced contract (“Spot Contract”) only under the following circumstances:</p> <ul style="list-style-type: none"> • Buying through auction systems that would invalidate a “price-to-be-fixed” contract; OR • The producer has Fair Trade Certified coffee in stock at the time of signing; OR • The Price Payer and the producer have jointly agreed in writing to have such a contract and have also mutually agreed upon a risk management strategy. 	<p>Fair Trade Price Payers of coffee</p>	<p>Prices must not be fixed for a period longer than one crop period.</p>	

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 2.3.5: Where a broker is used, the roles of the broker and the party responsible for payments are clear and transparent.				
2.3.5.a	The use of a broker (if necessary) is stated in the contract or purchase agreement between the seller and the buyer and communicated to Fair Trade USA.	Fair Trade Price and/or Premium Payers and Conveyors using a broker	Where a broker is used, the requesting party should be clearly stated as part of the contract or purchase agreement between the seller and the buyer, so it is clear which party is responsible for the broker's commission (2.3.5.b). Broker is defined as a non-certified operator who does not gain legal ownership of the Fair Trade Certified product at any point in time, though they may take physical possession. A broker facilitates the contract and the trade between the seller and the buyer This does not include entities operating under consignment, which are considered growers' agents under Sub-module 3.6. Any brokers used must be communicated to Fair Trade USA as part of the list of subcontractors required in 1.1.2.b.	
2.3.5.b	The company requiring the services of the broker mentioned in the contract or purchase agreement is responsible for paying for the broker's commission. The commission may never be deducted from the Fair Trade Price or Premium.	Fair Trade Price and/or Premium Payers and Conveyors using a broker	See Sub-Modules 2.1 and 2.2 for explanation of Fair Trade Price and Premium.	

SUB-MODULE 2.4: Pre-Finance

Access to finance and working capital allows producers to cover upfront costs, make investments to ensure or improve production, and prevents them from having to go into debt.

Pre-financing can take many forms and can use a variety of financial instruments, but essentially it is a mechanism by which businesses can leverage their purchase agreements and buying relationships for cash, credit, or goods in advance. It is essentially an advance of funds on the purchase agreement. It is different than a traditional loan, as it uses the purchase agreement instead of traditional collateral or credit requirements.

Pre-finance can be internal, provided by an actor in the supply chain directly to another, or external, provided by a third-party using the supply chain agreement or relationship as evidence of credibility.

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 2.4.1: First buyers support producers in accessing pre-finance.				
2.4.1.a	When requested by a producer, the first buyer either provides direct pre-finance against a specific Fair Trade contract or supports the producer with securing pre-financing from a third-party lender against that contract. The request is denied only when the first buyer was able to demonstrate through a third party assessment that lending to the producer presents a high level of risk of non-repayment or non-delivery.	First buyers	<p>The request for pre-finance may only be denied when:</p> <ul style="list-style-type: none"> • The first buyer can demonstrate that lending to the producer presents a high level of risk of non-repayment or non-delivery; • The first buyer is sourcing from the producer for the first time or has not been successful in past attempts to source from the producer; • The first buyer can demonstrate that the provision of pre-finance presents undue financial burden; • There is a lack of third party lenders willing to support pre-finance to the producer; or • Provision of pre-finance is not legally allowed in the country where the first buyer or producer are operating. <p>Where the provision of pre-finance has been denied, the justification for this denial must be documented and made available to both the producer and Fair Trade USA auditors.</p>	Core
2.4.1.b	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.	First buyers	Contract may refer to any other type of purchase document, such as a letter of intent in the case of the floral industry.	
Objective 2.4.2: If the trader supports the producer with securing pre-financing against the Fair Trade contract through a third-party lender, the trader provides all necessary information to the producer and third-party lender.				
2.4.2.a	The trader supports the producer with securing pre-financing through a third-party lender by:	Traders supporting producers to secure pre-finance through a third-party lender		

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
	<ul style="list-style-type: none"> Serving as a credit reference and recommending the producer as a candidate for loans to third-party lenders; and, Confirming to third-party lenders that the Fair Trade purchase agreement is valid and can be used as collateral for pre-financing loans to the producer. 			
2.4.2.b	<p>Reference to the pre-financing provided by the third-party lender is included in the purchase agreement. This reference includes, at minimum:</p> <ul style="list-style-type: none"> The name of the third-party lender being used; and, An agreement on how payment of the contract will be made (i.e. funneling payments through the third-party lender or payments directly to the producer). 	Traders supporting producers to secure pre-finance through a third-party lender		
Objective 2.4.3: If the trader directly provides pre-finance against the Fair Trade purchase agreement, they ensure that the pre-finance terms are fair and transparent.				
2.4.3.a	The provision and terms of pre-finance are documented, either in the purchase agreement or as a separate credit agreement.	Traders that provide direct pre-finance to producers	The trader should discuss the intended use of the pre-finance funds with the producer, such as purchasing of inputs, cash payments to group members or compliance investments.	

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
2.4.3.b	At a minimum, the pre-financing agreement includes: <ul style="list-style-type: none"> • Pre-finance amount; • Reference to the related purchase agreement; • Start date and duration of the pre-finance; • Payment terms; • Rates of interest, if any; • Any other applicable charges; and, • Consequences in case of quality problems and/or non-delivery of product. 	Traders that provide direct pre-finance to producers	The timing of pre-finance must be sufficient to support the intended use of the financing funds by the producer. For example, if an advance payment is required to purchase production inputs, the timing of the pre-finance must align with when the inputs are needed. Where several shipments or payments are planned, the spread of the pre-finance must be fixed in the agreement.	
2.4.3.c	Pre-finance payments never affect the Fair Trade Premium amount owed.	Traders that provide direct pre-finance to producers		
2.4.3.d	The interest charges to the producer for the provision of pre-finance do not exceed the trader’s current cost of borrowing (including administrative costs).	Traders that provide direct pre-finance to producers		

SUB-MODULE 2.5: Sustaining Trade

The Fair Trade USA Trade Standard includes requirements to promote fair and transparent trading practices, such as written agreements defining the mutually agreed upon terms of trade (see Sub-module 2.3). However, not all components of fair and transparent trading practices can be effectively defined through individual Standard requirements. The intent of this section is to ensure broader compliance

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with fair and transparent trading practices. It provides Fair Trade USA and the Conformity Assessment Body with a mechanism by which to sanction any major unfair trading practices that are found. It also encourages open communication between Fair Trade Price and Premium Payers, Conveyors, and producers, and requires that traders track basic metrics about their Fair Trade sourcing. These requirements are intended to help build stronger, more stable trade relationships and long-term partnerships.

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 2.5.1: Traders only engage in fair and transparent trading practices.				
2.5.1.a	There is no indication that traders engage in unfair trading practices that clearly damage the capacity for producers to compete or the capacity of producers to comply with Fair Trade USA production standards.	All	<p>Unfair trading practices are “practices that grossly deviate from good commercial conduct and are contrary to good faith and fair dealing” and are unilaterally imposed by one trading partner on another⁵.</p> <p>Prohibited unfair trading practices include, but are not limited to:</p> <ul style="list-style-type: none"> • Requiring that terms of non-certified transactions are disadvantageous to the producer as a condition for certified purchases. • Inclusion of exclusivity or non-compete agreements in contracts (unless clearly beneficial to or requested by, the other party). Buyers may include requirements for the protection of specific intellectual property designed or supplied by the buyer (e.g. apparel designs) but must not prevent the producer from selling different products to other buyers. • Charging the supplier for changes in shipping schedules or method (e.g., from ground to air) requested by the buyer (e.g. the costs of storage, interest, or insurance if the buyer requests an extension of the shipping schedule beyond the timing of normal commercial practices or costs to rush the delivery through no fault of the supplier or factory). • Unreasonable lead times or production changes, especially where the ability of producers to comply with Fair Trade production standards is compromised (e.g. in order to meet production timelines, a factory is required to impose excessive working hours). 	Core

⁵ EU green paper on “Unfair Trading Practices in the Business to Business Food and Non-Food Supply Chain in Europe”. <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52013DC0037&from=EN>

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
			<ul style="list-style-type: none"> • Excessive transfer of costs or risks to the other party, such as demanding prices below costs, demanding level prices be maintained from year to year with no consideration for inflation, minimum wage changes, exchange rates, etc., asking for price commitments based on a larger volume than actual quantity ordered, or charging fees for services that are not demanded or are above fair value. • Misuse of unspecified, ambiguous, or incomplete contract terms. • Sudden unfair termination or disruption of a commercial relationship, especially if used as a means to pressure a contracting party. • Misuse of confidential information. • Delayed payments and unfair deductions to payments. • Consistently requesting free samples after a trading relationship has been established <p>If any stakeholder notices an unfair trading practice and makes an allegation to Fair Trade USA or approved Conformity Assessment Bodies, or auditors observe any unacceptable trading practice, this will trigger Fair Trade USA to conduct a deeper investigation into the issue.</p>	
Objective 2.5.2: Traders proactively communicate with their suppliers.				
2.5.2.a	<p>At the end of each trading season (at least annually), the Fair Trade Conveyor provides a report to Fair Trade producers that details:</p> <ul style="list-style-type: none"> • Volumes sold as Fair Trade Certified; • Fair Trade Price received at the FOB level, including information on differentials and exchange rates, if applicable; • Fair Trade Adjustment, if applicable; 	Fair Trade Price and/or Premium Conveyors		

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No.	Compliance Criterion	Applicability	Intent and Clarification	Core
	<ul style="list-style-type: none"> The amount of Fair Trade Premium received and conveyed; and, The respective Premium calculations (e.g. conversion rates and processing losses). 			
2.5.2.b	<p>At the end of each trading season (at least annually), traders provide a report to their Fair Trade suppliers that summarizes the total volumes purchased on Fair Trade terms and how the volume compares with any purchase volume estimates provided for the season or year.</p>	<p>Fair Trade Price and/or Premium Payers and Conveyors</p>	<p>2.3.2.a requires that Price and/or Premium Payers and Conveyors establish a system with their suppliers for providing purchase volume estimates. The intent of this criterion is to help buyers and suppliers improve purchase volume estimates over time and use them as a tool to better enable both parties to plan sourcing or production.</p> <p>It is recommended that both parties use the report to discuss why actual volumes purchased differed from estimates, and what both parties could do to improve estimates over time.</p> <p>Note that for entities engaging in retro-certification or consignment sales, the volume of product purchased on Fair Trade terms must be calculated based on actual sales of Fair Trade Certified product.</p>	
2.5.2.c	<p>Traders have a documented responsible exit strategy with their Fair Trade suppliers in place before making any significant changes to their relationship with their supplier. This strategy is communicated to suppliers and is followed.</p>	<p>Fair Trade Price and/or Premium Payers and Conveyors</p>	<p>The intent of this criterion is to ensure that Price and/or Premium Payers and Conveyors have an appropriate strategy for a responsible exit from any trading relationship with Fair Trade suppliers. This is so producers may plan for a possible reduction in Premium funds for community development projects and to allow them time to acquire different buyers for their product. It is recommended to include information on the responsible exit strategy in the Fair Trade Agreement to ensure it is communicated to suppliers.</p> <p>Conveyors must consider the exit strategy of their own buyers (i.e. Price and/or Premium Payers) to inform their communication and exit strategy with their suppliers.</p> <p>The exit strategy must include guidelines for communications with suppliers regarding the termination of the Fair Trade trading relationship or any significant reduction in volumes ordered as Fair Trade. At a minimum, notification must be given to suppliers within 30 days of notification of volume changes from traders' own buyers.</p>	

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No.	Compliance Criterion	Applicability	Intent and Clarification	Core
			<p>The notice should include a discussion of why the trading relationship is being terminated or reduced so that producers can better understand market shifts and actions they could take to improve outcomes in the future.</p> <p>Apparel and Home Goods: Supplying factories must be given a minimum of six months notice prior to the termination of the Fair Trade trading relationship or any significant reduction in volumes ordered as Fair Trade.</p> <p>It is not necessary to develop or communicate a responsible exit strategy to suppliers who are explicitly of a short-term nature (e.g. suppliers being used to fulfill a one-off sourcing need), as long as the short-term nature of the trade relationship is clear to these suppliers.</p>	

MODULE 3: Product Traceability

Fair Trade traders must ensure transparency and traceability of all Fair Trade Certified product. Documentation of Fair Trade transactions allows any 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. Most Fair Trade Certified product must maintain physical product traceability and be clearly identifiable from non-Fair Trade Certified product at all times. Module 3 also includes requirements for exceptional traceability systems, including mass balance, retro-certification, and consignment sales.

Note that for all compliance criteria in this module related to documentation and records of sales, records must be sufficient to track the total volume of product labeled and sold or distributed with the intent for consumer sale. For example, for an apparel brand which sells product directly to consumers through its own stores and online platforms, as well as selling through other retailers, for a single Fair Trade Certified product SKU, must make records available to identify the total count of items labeled, packaged, sold, and distributed through all channels intended for final consumer sale.

SUB-MODULE 3.1: Traceability through Documentation

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 3.1.1: There is a system and records to ensure traceability of all Fair Trade transactions and volumes.				
3.1.1.a	The company has a system and documented procedures in place to ensure the traceability of all transactions and volumes of Fair Trade Certified product.	All	The traceability system and procedures must be sufficient to enable compliance with the traceability requirements defined in Module 3 and ensure that the volumes sold as Fair Trade Certified are never more than the volumes bought on Fair Trade terms. For operations employing mass balance (see 3.4.3.a) or retro-certification (see 3.5.1.c and d), a more robust traceability system and procedures are necessary to support compliance with these requirements.	Core

MODULE 3: Product Traceability

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
3.1.1.b	Accurate, complete and unaltered records of all purchases, sales, and processing of Fair Trade Certified product are maintained for a minimum of three years; if the product is not sold within three years, records are maintained until product sale.	All	<p>The intent of this criterion is to ensure that records are available to track any individual transaction of Fair Trade Certified product from purchase through to sale and vice versa, as required in 3.1.1.c and 3.1.1.d.</p> <p>Any necessary changes to records (such as returned orders) must be clearly recorded, including the date of the change.</p> <p>Note that under 1.1.3.a, records must be accessible and made available to auditors and Fair Trade USA staff.</p>	
3.1.1.c	The traceability system and records allow a sale of Fair Trade Certified product to be traced back to a Fair Trade purchase.	All	<p>This is intended as an indicator of the effectiveness of the traceability system and should be possible if all requirements of Module 3 are implemented.</p> <p>In addition to purchase and sales documentation required in Objective 3.1.2, and records of product transformation required in Objective 3.1.3, records of storage and movement of Fair Trade Certified product within or between sites or facilities, including subcontractors, may be necessary to trace back all sales of Fair Trade Certified product.</p> <p>This is not applicable for entities implementing mass balance, as intent is covered by 3.4.2.a.</p>	
3.1.1.d	The traceability system and records allow a purchase of Fair Trade Certified product to be traced forward to point of sale or loss.	All	<p>This is intended as a test of the effectiveness of the traceability system and should be possible if all requirements of Module 3 are implemented.</p> <p>In addition to purchase and sales documentation required in Objective 3.1.2, and records of product transformation required in Objective 3.1.3, records of sales of Fair Trade Certified product sold on non-Fair Trade terms or sold into other fair trade supply chains, and losses due to quality rejects, spoilage etc., may be necessary to track all Fair Trade Certified product forward.</p> <p>This is not applicable for entities implementing mass balance, as intent is covered by 3.4.2.a.</p>	

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 3.1.2: All Fair Trade Certified products are clearly identified as Fair Trade Certified in purchase and sales documentation.				
3.1.2.a	All Fair Trade Certified products are clearly identified in all purchase and sales documentation for Fair Trade transactions (e.g. invoices, bills of lading, delivery notes and purchase orders).	All	Fair Trade Certified products must be identifiable on the line item of the related invoice and purchase order (i.e. reference to Fair Trade, Fair Trade USA, Fair Trade ID, FT, etc.). If all products on the invoice or purchase order are certified, this may be identified at the top of the document.	Core
3.1.2.b	<p>All purchase and sales documentation related to Fair Trade Certified product identify:</p> <ul style="list-style-type: none"> • The name and Fair Trade ID of the buyer⁶ and seller; • Product names; • The applicable dates of transaction; • The quantities of Fair Trade Certified product; and • The Fair Trade Certified product characteristics when bought and sold. 	All	<p>Note that this requires both buyer and seller to verify the other party has a valid Fair Trade Certificate to buy and sell product as Fair Trade Certified, except in cases where the buyer is not required to be licensed with Fair Trade USA.</p> <p>This information may be recorded in written documents and/or an electronic system, as long as information is accessible by both the buyer and seller, as well as Fair Trade USA’s auditors and Fair Trade USA staff.</p> <p>Product characteristics include a basic description of the product form (e.g. green coffee, frozen fish steak), and must always include other certification claims, such as ‘organic’.</p> <p>Apparel and Home Goods: Documentation must always specify which Fair Trade seal applies (Fair Trade Factory or Sewing, Fair Trade Certified Cotton, or full Fair Trade Certified seal).</p> <p>Seafood: Product characteristics must include the species name and country of origin. Best practice is to include the scientific name of the species where possible.</p>	

⁶ If product being sold is a tamper-proof consumer packaged product, buyers might not have a Fair Trade ID. Consult the [Scope](#) section for more details on which entities are required to be licensed with Fair Trade USA.

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 3.1.3: All transformation of Fair Trade Certified product and relevant conversion rates are recorded.				
3.1.3.a	Where any changes to the volume or physical state of Fair Trade Certified product occur (i.e. from processing, mixing, packaging, labeling, or other transformation) there are clear records of these activities, along with records of applicable conversion rates and processing losses.	All	<p>Conversion rates for processing or transformation of certified inputs to certified outputs, including yields and processing losses, must be justifiable and accurate.</p> <p>Standard industry conversion rates for cocoa products have been set by Fair Trade USA (e.g. cocoa beans to cocoa butter) and these rates must be used by traders employing mass balance. See the Processing Yield from Beans section of <i>Special Price and Premium Terms</i>. Traders employing physical traceability may use their own conversion rates.</p>	
3.1.3.b	When mixing and selling products containing both Fair Trade Certified and non-certified ingredients, sellers clearly indicate to the buyer in writing which ingredients are Fair Trade Certified and the percentage of total Fair Trade Certified content of the product.	All traders selling composite products	<p>The intent of this requirement is to ensure that traders have the information they need to comply with the requirements for labeling and minimum percentage of Fair Trade Certified content in finished products, as outlined in the <i>Fair Trade Certified Seal & Language Use Guide</i>.</p> <p>Note that under the <i>Multiple Ingredient Product Policy</i>, Fair Trade Certified and non-Fair Trade Certified product of the same ingredient may never be mixed.</p>	
Objective 3.1.4: Cane sugar mills and/or exporters ensure traceability to individual cane producers and Certificate Holders.				
3.1.4.a	<p>If multiple producers sell Fair Trade Certified or Fair Trade eligible cane sugar to one mill and/or exporter, the mill and or exporter keeps delivery notes and tickets which include:</p> <ul style="list-style-type: none"> • The name of the individual cane producer; • The Certificate Holder of the individual cane producer; • The volume of cane supplied; and, 	Fair Trade Price and/or Premium Conveyors that trade sugar	<p>The intent of this criterion is to ensure that Fair Trade Price and Premium payments to each supplying Certificate Holder can be accurately accounted for. Note, as sugar is eligible for retro-certification, these records must be kept for all Fair Trade eligible purchases made from certified producers.</p> <p>In countries where document traceability is organized through government regulations, a separate process by the Conveyor is not necessary.</p> <p>The mill and/or exporter must seek confirmation of the volume of cane supplied by each producer (i.e. through the Certificate Holder).</p>	Core

MODULE 3: Product Traceability

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
	<ul style="list-style-type: none"> The date of the delivery of cane to the mill and/or exporter. 			

SUB-MODULE 3.2: Physical Product Traceability

This section applies to all traders, except those with explicit approval from Fair Trade USA to use mass balance (see Sub-module 3.4). Physical product traceability requires the segregation of Fair Trade Certified product, such that it is never mixed with and can always be distinguished from non-Fair Trade Certified product.

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 3.2.1: There is physical segregation of Fair Trade Certified product and non-Fair Trade Certified product.				
3.2.1.a	Fair Trade Certified product is physically segregated from non-Fair Trade Certified product at all stages (e.g. storage, transport, processing, packaging, labeling, handling, and sale).	All traders that apply physical traceability	<p>The intent of this requirement is to ensure that Fair Trade Certified product is not mixed with non-Fair Trade Certified product, and that no product substitution occurs. This requirement does not apply to intentional mixing of Fair Trade Certified ingredients and other non-Fair Trade Certified ingredients as part of a product recipe. See the <i>Multiple Ingredient Product Policy</i> for rules on composite products.</p> <p>Examples of methods to ensure segregation include storage of Fair Trade Certified and non-Fair Trade Certified product in separate bags, cartons, processing runs, and separate lots in storage.</p>	Core
Objective 3.2.2: Fair Trade Certified product is marked clearly and can be identified as Fair Trade Certified.				
3.2.2.a	Fair Trade Certified product is marked clearly and can be visually identified as Fair Trade Certified at all stages (e.g. storage, transport, processing, packaging, labeling, handling, and sale).	All traders that apply physical traceability	This could be achieved through a clearly designated storage area for Fair Trade Certified product, a special flag or label on individual products or product cases which displays Fair Trade Certified or the Fair Trade Certified seal, or other visual and physical identification and separation of Fair Trade Certified product.	

MODULE 3: Product Traceability

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 3.2.3: Fair Trade Certified product which voluntarily complies with physical traceability is identified.				
3.2.3.a	Where product allowed to use mass balance is sourced from a Fair Trade supplier that voluntarily complies with physical traceability requirements, and traders maintain physical traceability, the product is identified as a physically traceable Fair Trade Certified product in purchase and sales documentation.	Traders that purchase Fair Trade Certified product allowed to use mass balance from suppliers that voluntarily comply with physical traceability	The intent of this requirement is to ensure verifiable records of product supply chains which voluntarily comply with physical traceability. Physically traceable Fair Trade Certified product may use different claims and messaging than product without physical traceability. Products which can use mass balance are listed in a separate document, <i>Allowance for the Use of Mass Balance</i>	
Objective 3.2.4: Physically traceable Fair Trade Certified ingredients maintain physical traceability.				
3.2.4.a	Where physically and non-physically traceable Fair Trade Certified ingredients are combined in Fair Trade Certified composite products or ingredients, the physically traceable ingredient follows physical traceability requirements.	Traders handling composite products or ingredients	Physical traceability requirements include the requirements listed under Sub-module 3.2 (e.g. if Fair Trade Certified quinoa (physically traceable) and cocoa (mass balanced) are mixed together to manufacture a chocolate bar, quinoa is required to adhere to physical traceability requirements).	Core

SUB-MODULE 3.3: Identity Preserved Traceability

This section only applies to traders who elect to keep a higher level of verified traceability for Fair Trade Certified product. With physical product traceability (see Sub-module 3.2), certified product is always kept separate from non-certified product so that it is identifiable, but specific product batches cannot be traced back to a unique producer. With identity preserved traceability, certified product batches can be traced back to a single identifiable certified producer. This form of traceability allows all actors in the supply chain, including brands, to know exactly where their product came from, and therefore have a better understanding of their Fair Trade impact.

MODULE 3: Product Traceability

Note that complying with the requirements for identity preserved traceability is only possible where supplying entities also comply with identity preservation, otherwise the producer level information will be lost. Traders should only apply identity preserved traceability where they have confirmed feasibility with Fair Trade USA, and clearly negotiated this with their suppliers. It is likely that a brand or retailer would negotiate their desire for identity preservation with all entities in their supply chains.

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 3.3.1: Traders using identity preserved traceability obtain approval from and submit information to Fair Trade USA.				
3.3.1.a	Fair Trade USA has been informed of and approved the use of identity preserved traceability.	Traders that apply identity preserved traceability	Traders must inform Fair Trade USA prior to implementing identity preserved traceability. Identity preservation is only possible where all entities throughout the supply chain comply with the identity preserved requirements. Traders must work with Fair Trade USA to confirm the feasibility and verification of identity preservation in the rest of their supply chain.	
Objective 3.3.2: There is physical segregation of identity preserved Fair Trade Certified product batches and all other product sources.				
3.3.2.a	Individual batches of Fair Trade Certified product are physically segregated from all other product sources at all stages (e.g. storage, transport, processing, packaging, labeling, handling, and sale).	Traders that apply identity preserved traceability	<p>The intent of this requirement is to ensure that Fair Trade Certified product is not mixed with non-Fair Trade Certified product or fair trade product from other certified sources, and that no product substitution occurs. This requirement does not apply to the intentional mixing of Fair Trade Certified ingredients and other non-Fair Trade Certified ingredients as part of a product recipe.</p> <p>Examples of methods to ensure segregation include storage of individual batches of Fair Trade Certified and other fair trade and non-Fair Trade Certified product in separate bags, cartons, processing runs, and lots in storage.</p>	

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 3.3.3: Identity preserved Fair Trade Certified product batches are marked clearly and can be identified as Fair Trade Certified.				
3.3.3.a	Individual batches of Fair Trade Certified product are marked clearly and can be visually identified as Fair Trade Certified at all stages (e.g. storage, transport, processing, packaging, labeling, handling, and sale). Each batch can be uniquely identified to a single certified producer.	Traders that apply identity preserved traceability	<p>This could be achieved through a clearly designated storage area for Fair Trade Certified product batches, a special flag or label on individual products or product cases which displays Fair Trade Certified or the Fair Trade Certified seal, or other visual and physical identification and separation of Fair Trade Certified product batches.</p> <p>Each batch should include the producer information on the product or be linked to an electronic system where this information can be easily accessed.</p>	
Objective 3.3.4: When mixing product from multiple sources, records track the share of Fair Trade Certified product from each source producer.				
3.3.4.a	<p>Where Fair Trade Certified product from multiple certified producers is intentionally mixed as part of processing, records include at a minimum:</p> <ul style="list-style-type: none"> • The list of Fair Trade Certified ingredients; • The certified producers supplying each ingredient; and, • The percent of the final product and individual ingredient supplied by each certified producer. 	Traders that apply identity preserved traceability	<p>This information should be kept as part of the required documentation of product transformation and conversion rates in 3.1.3.a.</p> <p>If identity preserved and non-identity preserved Fair Trade Certified ingredients are combined in Fair Trade Certified composite products or ingredients, records must clearly indicate what ingredients, percent of each ingredient, and percent of the final product maintain identity preservation. It is possible that only a percentage of a single ingredient will maintain identity preservation.</p> <p>Note that under the <i>Multiple Ingredient Product Policy</i>, Fair Trade Certified and non-Fair Trade Certified product of the same ingredient may never be mixed.</p>	

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 3.3.5: All identity preserved Fair Trade Certified products are clearly identified in purchase and sales documentation.				
3.3.5.a	<p>All purchase and sales documentation related to identity preserved Fair Trade Certified product include:</p> <ul style="list-style-type: none"> The name and Fair Trade ID of the source producer; and, The product supplied by each producer. 	Traders that apply identity preserved traceability	<p>This information is in addition to the requirements for purchase and sales documentation in 3.1.2.b and 3.1.3.b.</p> <p>Documentation must clearly identify the Fair Trade Certified ingredients, and if relevant, the percent of each ingredient, which comply with identity preservation and those which do not.</p>	

SUB-MODULE 3.4: Mass Balance

This section only applies to traders that employ a mass balance system. Only certain types of products and ingredients are allowed to use a mass balance system. These products are defined in a separate document, *Allowance for the Use of Mass Balance*. Traders who apply mass balance to Fair Trade Certified products or ingredients do not need to comply with nor be audited against Sub-module 3.2 on physical product traceability for those products.

Mass balance allows mixing of Fair Trade Certified and non-certified product or ingredients at any stage in the supply chain, provided that the overall quantities of Fair Trade Certified product are controlled. It allows for the sale of Fair Trade Certified product and ingredients in supply chains where maintaining physical product traceability is unfeasible due to the nature of product processing systems.

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No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 3.4.1: Traders using mass balance obtain approval from and submit information to Fair Trade USA.				
3.4.1.a	Fair Trade USA has been informed of and has approved the use of mass balance.	Traders that apply mass balance	Traders must inform Fair Trade USA prior to implementing mass balance, including how long they intend to use mass balance and if they intend to use single site or group mass balance (3.4.4). Fair Trade USA's subsequent approval will specify whether the trader has been approved to use single site or group mass balance. Traders wishing to use mass balance on a continuous, ongoing basis may inform Fair Trade USA upon initial licensing. Abuse or misuse of mass balance may result in traders losing permission to use mass balance.	Core
Objective 3.4.2: Outputs sold as Fair Trade Certified are equivalent to inputs sourced as Fair Trade Certified.				
3.4.2.a	Volumes sold as Fair Trade Certified are never more than the volumes bought as Fair Trade Certified, taking into account conversion rates and processing losses.	Traders that apply mass balance	This requires that Fair Trade Certified inputs are purchased before the sale of Fair Trade Certified outputs. Inputs and outputs can only be mass balanced following the processing logic (i.e. conversion rates may be used to purchase cocoa beans and sell cocoa powder, not the other way around). 3.1.3.a requires tracking of conversion rates for processing or transformation of certified inputs to certified outputs, including yields and processing losses.	Core
3.4.2.b	Fair Trade Certified inputs purchased are at least of the same type and quality as the output product sold as Fair Trade Certified (like for like).	Traders that apply mass balance	The intent of this requirement is to ensure producers are rewarded for and incentivized to make quality improvements and recognized for the products they produce. The same type and quality includes, but is not limited to, other certifications (e.g. organic), and quality or origin claims. For example, if selling fine flavor Ecuadorian cocoa as Fair Trade Certified, the input purchased must meet or exceed the category and quality specifications indicated and must be sourced from Ecuador. These specifications must be indicated in the purchase documentation for the Fair Trade Certified inputs.	

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
			If no origin or quality claims are made on the product sold, then the inputs may be of varying origin or quality. At least of the same type and quality means that product can be downgraded (e.g. organic cocoa can be sold as non-organic) but never upgraded (e.g. non-organic cocoa cannot be sold as organic).	
Objective 3.4.3: There is a system in place to track mass balance inputs and outputs.				
3.4.3.a	There is an accounting system in place to track volumes and quality of Fair Trade Certified inputs and outputs.	Traders that apply mass balance	This accounting system must be part of the traceability system and documented procedures required in 3.1.1.a. The system must be able to provide the balance of Fair Trade Certified inputs and outputs at any given time.	Core
Objective 3.4.4: Traders have appropriate sourcing and tracking processes for the scope of the mass balance system.				
3.4.4.a	To use single site mass balance, all sourced ingredients are delivered to and processed by the same site.	Traders that apply single site mass balance	This means that mass balance outputs must be processed at the same site. Some product supply chains may be allowed to use mass balance at the group level. These rules are defined in 3.4.4.b.	
3.4.4.b	Where a trader has applied for and been approved by Fair Trade USA to use group mass balance: <ul style="list-style-type: none"> • All relevant production sites must be included in the scope of the Trade Certificate; and, • There must be a centralized system in place to track volumes and quality of Fair Trade Certified inputs and outputs. 	Traders that apply group mass balance	Only certain products allowed to use mass balance may do so at the group level. These are defined in the separate document, <i>Allowance for the Use of Mass Balance</i> . To receive approval for the use of group mass balance: <ul style="list-style-type: none"> • All sites involved in group mass balance must be under one company and be included in the scope of the Trade Certificate; • Relevant documents and systems must be accessible by an auditor at a single designated central administration site; and, • The accounting system, as required in 3.4.3.a, must be sufficient to track inputs, processing losses, and outputs across all sites to confirm a positive balance of sourced inputs to outputs. 	Core

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
			Traders must inform Fair Trade USA of their desire to use group mass balance at the same time they request approval for mass balance generally (see 3.4.1.a). Any change in the sites involved in the group mass balance also requires approval from Fair Trade USA. See 1.1.2.b for rules on informing Fair Trade USA of changes to the sites included under the Certificate.	

SUB-MODULE 3.5: Retro-certification

This section only applies to traders that employ retro-certification. Retro-certification is a business transaction in which a Fair Trade Price and/or Premium Payer purchases eligible product from a Fair Trade producer or exporter under non-Fair Trade terms and with approval from Fair Trade USA converts it into a Fair Trade Certified product at a later date. To do so, the Price and/or Premium Payer must pay the Fair Trade Premium and any necessary Fair Trade Adjustment and provide evidence to Fair Trade USA and its approved Conformity Assessment Bodies that the correct payments were made. In limited cases, with prior approval from Fair Trade USA, Fair Trade Price and/or Premium Payers may consistently use retro-certification for Fair Trade transactions. This is referred to as systemic retro-certification and is only allowed for tea (*Camellia*) and cane sugar.

All traders employing retro-certification must notify and receive approval from Fair Trade USA and comply with the rules of this sub-module.

Only products that have been sourced from producer or exporter with a valid Fair Trade Certificate, and not been labeled as Fair Trade Certified nor indicated as Fair Trade Certified in purchase and sales documentation are eligible for retro-certification.

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 3.5.1: Records and communication on retro-certification are sufficient to ensure traceability of Fair Trade Certified product and Fair Trade Premium.				
3.5.1.a	Fair Trade USA has been informed of and approved the use of retro-certification. Each of the producers and Fair Trade Conveyors from which product is sourced has also been informed of the intent of retro-certification.	Fair Trade Price and/or Premium Payers engaging in retro-certification	Abuse or misuse of retro-certification will likely result in traders losing permission to retro-certify. Communication with each of the producer and conveyor on the intent to use retro-certification should be part of the Fair Trade Agreement, or an addendum to the Agreement, as this Agreement must define the process and timeline of payment of the Fair Trade Premium and Fair Trade Adjustment (see 2.3.1.b).	Core

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No.	Compliance Criterion	Applicability	Intent and Clarification	Core
			<p>Traders wishing to use retro-certification on a continuous, ongoing basis may inform and receive approval from Fair Trade USA once upon initial licensing, as long as this intent is made clear.</p> <p>Only Fair Trade Price and/or Premium Payers of tea (<i>Camellia</i>) and cane sugar are allowed to use systemic retro-certification.</p>	
3.5.1.b	Only product eligible for retro-certification may be retro-certified.	Fair Trade Price and/or Premium Payers engaging in retro-certification	<p>Product must have been sourced from an entity with a valid Fair Trade Certificate. No product sourced from a decertified producer may be retro-certified while the producer is decertified, even if the product was sourced prior to the date of decertification (see 1.2.3.a).</p> <p>Only products that have not been labeled nor traded as Fair Trade Certified in purchase and sales documentation are eligible for retro-certification.</p>	Core
3.5.1.c	Records are kept of volumes purchased from each of the producers and Fair Trade Conveyors that are eligible for retro-certification, and records can be linked to specific product batches.	Fair Trade Price and/or Premium Payers engaging in retro-certification	Records of Fair Trade eligible product purchases must include the same information as required in 3.1.2.b, and additionally must be linked to specific product batches. This is necessary to track volumes eligible for retro-certification from each Fair Trade supplier so that the Fair Trade Premium and Fair Trade Adjustment due for retro-certified product can be paid to the appropriate producer or Fair Trade Conveyor.	Core
3.5.1.d	<p>The Fair Trade Price and/or Premium Payer has documented the retro-certification of any eligible purchases.</p> <p>Documentation on the retro-certified product includes:</p> <ul style="list-style-type: none"> • Name and Fair Trade ID of the supplier; • The quantities of retro-certified product; • Product names; • Product characteristics when bought and sold; 	Fair Trade Price and/or Premium Payers engaging in retro-certification	<p>Product characteristics (i.e. product form and country of origin) must be sufficient to verify the appropriate Fair Trade Premium rates and 'like for like' condition if combining with mass balance (see 3.4.2.b).</p> <p>Note that documentation on all sales of Fair Trade Certified product must be kept in accordance with the requirements in Objective 3.1.2. This includes product sold as Fair Trade Certified through retro-certification.</p> <p>Fair Trade Adjustment may be necessary where products have a Fair Trade Minimum Price.</p> <p>See Sub-modules 2.1 and 2.2 for rules on calculation of Premium and the Adjustment.</p>	Core

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No.	Compliance Criterion	Applicability	Intent and Clarification	Core
	<ul style="list-style-type: none"> • Related invoice number of the original purchase; and, • The calculation and amount of Fair Trade Premium, and, if applicable, the Fair Trade Adjustment owed. 			
3.5.1.e	Each quarter, the Fair Trade Price and/or Premium Payer communicates the retro-certification of any eligible purchases directly to relevant producers and Fair Trade Conveyors as well as Fair Trade USA.	Fair Trade Price and/or Premium Payers engaging in retro-certification	<p>This communication must include the same information required in 3.5.1.d. It must be sent no later than 30 days after the end of the quarter (see 3.5.1.f). The communication should also request relevant producers to initiate invoices for applicable price adjustment and/or premium. The communication should request that invoices identify account details of relevant producer (for payment of Price Adjustment if applicable) and Fair Trade Committee (for payment of applicable premium).</p> <p>Relevant producers and Fair Trade Conveyors are those which supplied the specific product batches that are retro-certified.</p>	Core
3.5.1.f	Payments for the Fair Trade Adjustment and Fair Trade Premium are transferred directly to the producer bank accounts and the relevant Fair Trade Committee bank accounts respectively or to Fair Trade Conveyors within 30 days of the end of each quarter.	Fair Trade Price and/or Premium Payers engaging in retro-certification	<p>The notification of retro-certification, as required in 3.5.1.e, must be sent before payments of Premium are sent.</p> <p>The Fair Trade Premium Payer and producer may mutually agree upon a different payment schedule. Alternative Premium payment timelines must be mutually beneficial and should be in the best interest of the producer. The producer Certificate Holder, on behalf of the Fair Trade Committee(s), must agree to an alternative payment schedule for the Premium, and this must be recorded as part of the Fair Trade Agreement with the Premium Payer. This must include a justification for the alternative timeline.</p> <p>Note that this timeline for payment of the Premium and Fair Trade Adjustment replace the requirements in Sub-module 2.2 for Price and/or Premium Payers for retro-certified transactions.</p> <p>Relevant producers and Fair Trade Conveyors are those which supplied the specific product batches that are retro-certified.</p>	Core

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No.	Compliance Criterion	Applicability	Intent and Clarification	Core
3.5.1.g	All Fair Trade Price Adjustments and Premium payments are paid directly to the relevant producer bank accounts and Fair Trade Committee bank accounts, respectively.	Fair Trade Price and/or Premium Payers engaging in retro-certification and purchasing from a non-Fair Trade USA Payer	A non-Fair Trade USA Payer refers to entities categorized as Price and/or Premium Payers by an approved certifier. See <i>Requirements for Certificate Scope under the Trade Standard</i> for detail on approved certifiers.	
3.5.1.h	Product is eligible to be retro-certified up to three years after date of the original purchase.	Fair Trade Price and/or Premium Payers engaging in retro-certification	In situations where retro-certification is used in conjunction with mass balance, this means that the original Fair Trade eligible inputs must have been purchased within the past three years, or they are no longer eligible for retro-certification.	
3.5.1.i	Product sourced from recently certified producers may be sold as Fair Trade Certified if it has been produced at maximum one year prior to initial certification. Fair Trade USA and the producer have been informed and approved the sale of this product as Fair Trade Certified.	Fair Trade Price and/or Premium Payers engaging in retro-certification	<p>Traders must inform Fair Trade USA, and receive written approval, prior to selling product held in stock from recently certified producers as Fair Trade Certified. The supplying producer must also be notified and provide approval. This is necessary to ensure the producer can plan for, and has the capacity to, accept payments of Fair Trade Premium, and to confirm the source and age of the product.</p> <p>Adequate records are necessary to verify that product comes from recently certified producers, and that the product was produced a maximum of one year prior to the producer achieving certification. All relevant Fair Trade Price and Premium requirements apply and evidence of compliance must be maintained (e.g. evidence of Premium payments).</p> <p>This requirement also applies to product that has been sourced from sites recently added to an existing certificate.</p>	

SUB-MODULE 3.6: Consignment

Consignment selling is used in certain sectors of the fresh produce industry, where a growers' agent (consignee) sells the goods on behalf of the exporter or grower (consignor). The consignor retains title of the goods until they are sold by the agent, at which point payment is sent to the consignor by the consignee. Selling product on a consignment basis allows buyers and sellers to set prices quickly and to respond to a market that is reliant on product with a short shelf life. Consistent, reliable growers may be rewarded, and pre-harvest financing is often granted. Additionally, the growers' agent may agree to purchase an entire harvest from a grower, giving the grower the opportunity to plan ahead.

However, consignment selling often puts more of the trading risk on the grower, so additional parameters must be put into place to ensure that Fair Trade producers are not put in a disadvantaged position.

The use of consignment sales is limited to traders of produce who possess a valid Perishable Agricultural Commodities Act (PACA) license. Any entity wishing to engage in consignment sales of Fair Trade Certified product must comply with the Fair Trade program requirements listed below, in addition to other requirements in the Trade Standard. See *Guidance on the Use of Consignment* for additional information relevant to traders engaging in consignment.

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 3.6.1: Traders using consignment sales inform Fair Trade USA.				
3.6.1.a	Fair Trade USA has been informed of the intent to sell under consignment.	Traders of produce engaging in consignment sales	Only traders of produce that possess a valid PACA license may sell Fair Trade Certified product under consignment.	Core
3.6.1.b	Reporting of transactions to Fair Trade USA includes: <ul style="list-style-type: none"> The volume of product delivered to the growers' agent as Fair Trade Certified or eligible to be labeled as Fair Trade Certified; 	Traders of produce engaging in consignment sales	This is part of the reporting required under 1.1.2.c. The intent of reporting the volume delivered as well as the final amount sold as Fair Trade Certified is to ensure the volume sold as non-Fair Trade Certified is tracked. This requires that records be kept of delivered volumes as well as final sales for product sourced from Fair Trade producers.	

MODULE 3: Product Traceability

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
	<ul style="list-style-type: none"> The volume of product sold as Fair Trade Certified; and, Any volume received and not sold as Fair Trade Certified; this includes volumes sold as non-Fair Trade Certified, volumes dumped, and volumes donated. 			
Objective 3.6.2: Traders using consignment sales are fair and transparent with suppliers.				
3.6.2.a	The written agreement between the growers' agent and the consignor clearly outlines the consignment relationship and payment methods.	Traders of produce engaging in consignment sales	The grower's agent must have a written agreement(s) with the consignor which includes the information required in Sub-module 2.3.1 and Criterion 2.3.2.a. The written agreement defining the overarching terms of trade must also include explicit reference to how the consignment process will function. This information must follow PACA requirements for growers' agents and consignment sales, and the consignor must be aware of their rights under PACA law. Note that the final prices received by the producer must comply with Fair Trade Price requirements (see Sub-module 2.1). Deductions and commissions may never come out of the Fair Trade Premium.	Core
3.6.2.b	Each month, the growers' agent communicates the sales of Fair Trade Certified product under consignment to the consignor. The monthly reconciliation includes: <ul style="list-style-type: none"> Name and Fair Trade ID of the supplier; The quantities of product sold as Fair Trade Certified; 	Traders of produce engaging in consignment sales	If the growers' agent and consignor have agreed to a Premium payment timeline other than monthly (see 3.6.2.c and 2.2.2.c), the reconciliation of Fair Trade Certified sales may be communicated on the same timeline. Product characteristics must be sufficient to verify the appropriate Fair Trade Premium rates (i.e. product form and country of origin). Note that documentation on all sales of Fair Trade Certified product must be kept in accordance with the requirements in Objective 3.1.2. Fair Trade Adjustment may be necessary where products have a Fair Trade Minimum Price. See Sub-modules 2.1 and 2.2 for rules on calculation of Premium and the Adjustment.	

MODULE 3: Product Traceability

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
	<ul style="list-style-type: none"> • The quantity of product delivered to the growers' agent as Fair Trade Certified or eligible to be labeled as Fair Trade Certified not sold as such, and why (e.g. quality rejections, etc.); • Product names; • Product characteristics when bought and sold; • Price owed for all sales; and, • The calculation and amount of Fair Trade Premium, and if applicable, the Fair Trade Adjustment, owed. 			
3.6.2.c	Payments of Fair Trade Premium are made monthly (per calendar month). Payment of Premium is made no later than 15 days after the end of the respective month.	Traders of produce engaging in consignment sales	<p>The producer Certificate Holder, on behalf of the FTC(s), must agree to a monthly payment schedule and this must be recorded as part of the Fair Trade Agreement. Each payment of Premium must include a clear accounting of the amount of Fair Trade Certified product sold by the grower's agent over the course of the month, and Premium owed.</p> <p>An alternative Premium payment timeline may be agreed to in accordance with the rules outlined in 2.2.2.d.</p>	

MODULE 3: Product Traceability

No.	Compliance Criterion	Applicability	Intent and Clarification	Core
Objective 3.6.3: Traders using consignment sales ensure the integrity of the Fair Trade Certified seal.				
3.6.3.a	Fair Trade Premium must be paid on at least 90% of all product sold with the Fair Trade seal or label per season per grower, even if it is not sold with the Fair Trade Certified claim.	Price and/or Premium Payers of produce engaging in consignment sales of products labeled at origin	<p>This situation could occur if product is labeled at origin, the agent's buyers do not purchase the amount as Fair Trade Certified previously agreed, and the agent sells some product as non-Fair Trade Certified to other buyers. Fair Trade Premium and Price must be paid on at least 90% of the volume of labeled product sold. This does not apply to labeled product that is donated or dumped, if these volumes are clearly documented.</p> <p>If the agent wishes to sell more than 10% of the ordered volume as non-Fair Trade Certified and not pay Premium on it, the Fair Trade Certified label and claim must be removed from the product. The growers' agent must be able to demonstrate they have the capacity and systems in place to remove the Fair Trade Certified labels, such that product can be sold without any use of the Fair Trade Certified seal or indication of a Fair Trade claim.</p>	

ANNEX A: Calculating Price for Products with a Fair Trade Minimum Price or Defined Relevant Market Price Reference

This Annex applies to payment terms, mentioned in Objectives 2.1.1 and 2.1.2, for products with a Fair Trade Minimum Price (FTMP) or defined relevant market price reference (coffee and cocoa). Fair Trade Price Payers must always pay at least the relevant market price for purchases of Fair Trade Certified product (2.1.1.a). For products with a FTMP, the price paid must be at least the FTMP if higher than the relevant market price (2.1.2.a & b). To find out if your product has a FTMP or defined relevant market price reference, please see Fair Trade USA's *Price and Premium Database*, available on our website. If you have any questions on what Premium or Price needs to be paid, please contact Fair Trade USA at info@fairtradeusa.org.

Section A.1: Adjusting Fair Trade Minimum Price and Relevant Market Price

A.1.1. Where the FTMP or relevant market price reference is set at a different Incoterm level than that at which the Fair Trade Price Payer purchases the product, the price paid should be adjusted accordingly. Any additions or deductions made must be transparent, reasonable, and justifiable (2.1.2.c) and defined in the agreement between the Fair Trade Price Payer and their supplier (2.3.1.c).

For almost all products with a FTMP or relevant market price reference, these are set at the FOB (Free on Board) level. Many Price Payers purchase at EXW (Ex Works), and therefore need to adjust the defined FOB price to EXW. The buyer and supplier must mutually agree to the deductions to be applied to the FTMP or relevant market price (whichever is higher). These deductions will account for costs the buyer will incur from EXW to FOB. The table below (Figure 1) illustrates the types of services which are generally included in the cost of a product at the farmgate, EXW, and FOB levels, according to the Incoterm definitions published by the International Chamber of Commerce (ICC).

ANNEX A: Calculating Price for Products with a Fair Trade Minimum Price or Defined Relevant Market Price Reference

Service Costs Included	Farmgate	Ex Works	FOB
Farming & Harvesting	X	X	X
Transportation to seller (producer Certificate Holder)		X	X
Processing		X	X
Packing		X	X
Loading Charges			X
Inland Freight			X
Terminal Charges and Export Taxes			X
Loading on Vessel			X
Insurance			
Freight			
Arrival Charges			
Import Duty & Taxes			
Unloading at Terminal / Port			
Delivery to Destination			

Figure 1

A.1.2. For all deductions applied to the FTMP or relevant market price, the specific services and activities to be covered must be listed, with costs for each item. The costs must be reasonable and justifiable and must be calculated based on the full cost to the trader of performing or supplying these services and activities. When applicable, the costs should reflect the official (or the government) price breakdown.

A.1.3. For some products, Fair Trade USA defines specific costs which are included as part of FOB pricing in the *Special Price and Premium Terms*. These costs must be accounted for when calculating the appropriate Fair Trade Price.

A.1.4. If the FTMP or relevant market price is set for unprocessed product and the supplier sells processed product, the supplier receives the FTMP or relevant market price (whichever is higher) plus any additional costs the seller incurred for activities outside the scope of the

ANNEX A: Calculating Price for Products with a Fair Trade Minimum Price or Defined Relevant Market Price Reference

FTMP (e.g. processing costs, or special packing material(s) and services). The FTMP and relevant market price must be calculated based on the amount of unprocessed Fair Trade Certified product used as inputs and product processing costs. Records of conversion rates and processing losses, as required in 3.1.3.a, must be used to make these calculations. If a FTMP or defined conversion rate exists for the processed product (e.g. cured vanilla), then the defined price must be used as the minimum, and the defined conversion rate used to convert the relevant market price. See the *Special Price and Premium Terms* for defined conversion rates for cocoa.

For example, if a Price Payer is purchasing cocoa liquor from a producer at EXW, the written agreement between the producer and the Price Payer must detail the processing conversion rates and deductions which will be made to the FTMP or relevant market price (whichever is higher) by the Price Payer for purchase of Fair Trade Certified product. While the FTMP and relevant market price are set at unprocessed cocoa beans, there is a defined processing yield from beans for liquor of 0.8 (see the *Special Price and Premium Terms*). The agreement might state that the Price Payer will pay the producer:

- $$\frac{(\text{FTMP or relevant market price})}{0.8 \text{ conversion rate}}$$
- Minus 22 cents total deductions to cover Price Payer's costs (packing and loading charges (15 cents) and terminal charges (7 cents))

A.1.5. All line item additions and deductions and their cost which are applied to the FTMP or relevant market price must be justifiable.

A.1.6. Where the FTMP and/or relevant market price are defined in a different currency than the one being paid to the producer, the Fair Trade Agreement must include reference to a third-party source for the exchange rate and how the date of the exchange rate used will be set for a specific order (2.3.1.c). The calculation of the appropriate FTMP and relevant market price must utilize this pre-defined process for calculating the exchange rate.

Section A.2: Other Deductions

A.2.1. Other deductions applied after purchase negotiation, such as weight loss and quality claims, must be documented and include supporting evidence justifying the deductions (see 2.3.3.b).

Section A.3: Government Price References

A.3.1. In countries where prices are regulated by the government, the official price set by the national government is the relevant market price reference (2.1.1.a). For instance:

- In the case of Ghana, the market price reference is the FOB value of your contracted prices with the Cocoa Marketing Company for the relevant delivery period.

ANNEX A: Calculating Price for Products with a Fair Trade Minimum Price or Defined
Relevant Market Price Reference

- In the case of Côte d'Ivoire, the market price reference is the guaranteed FOB value ("valeur FOB garanti") as published by the [Conseil Café Cacao](#) for the relevant delivery period.

A.3.2. If the government price is below the appropriate FTMP, the initial price paid to a producer must follow the government price and a Fair Trade Adjustment must be paid to the producer along with the Premium. The Fair Trade Adjustment is equal to the difference between the required FTMP and the initial price paid (2.1.2.a).

Annex B: Inclusion of Differentials in Price Calculation

This Annex describes the requirements for Fair Trade Price Payers and Conveyors to include appropriate product quality and origin differentials when calculating the Fair Trade Price for products with a Fair Trade Minimum Price (FTMP) and defined relevant market price reference (e.g. coffee and cocoa). The Fair Trade Price is the final price required to be paid by Price Payers and Conveyors, taking into account the requirements in Sub-module 2.1 on relevant market price, FTMP, and appropriate price adjustments and applicable differentials.

Section B.1: Calculation of Fair Trade Price

B.1.1. The price paid for these Fair Trade Certified products must be based on the defined relevant market price reference (NYBOT/ICE or Euronext/LIFFE). The price must be the relevant market price adjusted with any applicable differentials, including an organic differential as defined in the *Price and Premium Database* (where applicable) and prevailing quality and origin differentials (2.1.1.a).

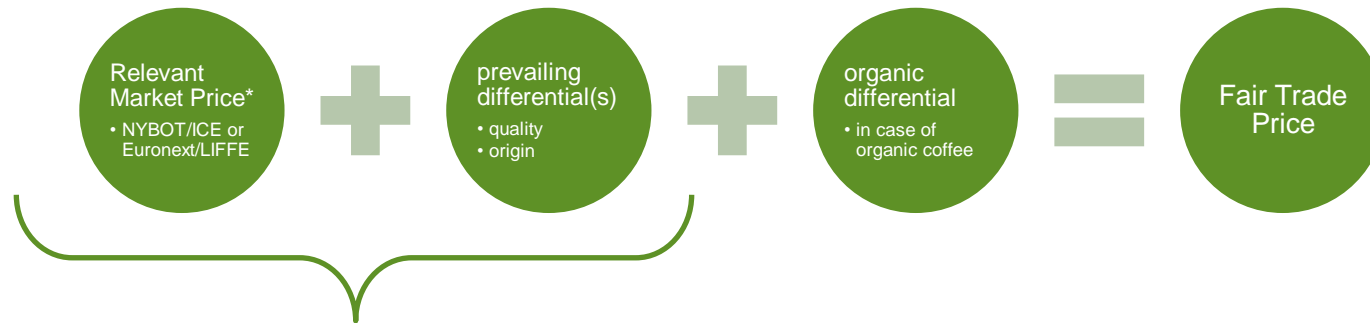
B.1.2. The Fair Trade Agreement and purchase orders need to show the breakdown of the Fair Trade Price, separating explicitly the relevant market price, the prevailing differential(s), and the Fair Trade organic differential. No lump sum differentials are allowed (country or quality differentials, organic differential, or other).

B.1.3. The price paid for Fair Trade coffee must never be below the FTMP. If the relevant market price plus or minus the prevailing differentials is below the FTMP, the price must be calculated using the FTMP plus the organic differential, if applicable (see Figure 2).

A negative differential can never be applied to the FTMP, including for low grades such as stocklots or segundas. Deductions applied after purchase negotiations, such as for weight loss and quality claims, may never be used as a substitute for a negative differential applied to the FTMP.

B.1.4. The Fair Trade Premium must be listed separately and cannot be a part of price calculations or negotiations.

Fair Trade Price is calculated in one of two ways:



However, if $(RMP + \text{prevailing differentials}) \leq FTMP$, then:



Figure 2

*See [Annex A](#) for additional information on adjusting the relevant market price and FTMP, if set at a different level than the one the Fair Trade Price Payer or Conveyor purchases at (Incoterm or product form).

Section B.2: Determining Prevailing Differentials

B.2.1. Prevailing differential refers to the average differential or range valid in the mainstream market for conventional coffee of that country and grade at that moment.

Annex B: Inclusion of Differentials in Price Calculation

B.2.2. Differentials are subject to negotiation between the buyer and seller in cases where the quality grade(s) are above the requirements of the futures markets.

B.2.3. Prevailing differentials in the mainstream market apply where low-grade coffees, such as stocklots or segundas, are sold at a discount. A negative differential cannot be applied to the FTMP for these coffees.

B.2.4. For any quality or origin differentials applied, the related characteristics must be listed as part of the product description on the purchase order or contract (see 2.3.2.b).