

Introducing Fairtrade

A guide to Fairtrade and how the FAIRTRADE Mark works



The Fairtrade Foundation

The Fairtrade Foundation was established in 1992 by CAFOD, Christian Aid, New Consumer, Oxfam, Traidcraft and the World Development Movement. These founding organisations were later joined by Britain's largest women's organisation, the Women's Institute. The first Fairtrade certified product, Green & Black's Fairtrade Maya Gold chocolate was launched in 1994 and was shortly followed by Cafedirect Fairtrade Coffee and Clipper Fairtrade Tea.

The Foundation is the UK member of Fairtrade Labelling Organisations International (FLO www.fairtrade.net), which unites 20 national initiatives across Europe, Japan, North America, Mexico and Australia/New Zealand, and licenses the FAIRTRADE Mark in the UK.

The FAIRTRADE Mark

The FAIRTRADE Mark is a certification label awarded to products sourced from the developing world that meet internationally recognised standards of fair trade.

By participating in Fairtrade, producers are able to use the additional income to strengthen their organisations and invest in social, environmental and business improvements. Just as importantly, they are able to learn more about markets and marketing, and take more control of their lives.

A fair price

The first Fairtrade label was launched in 1988 in the Netherlands and applied only to coffee. It was a specific response to the collapse of the world coffee price, which fell for some years to far less than the cost of production, and led to much suffering for coffee farmers and their families.

Today, Fairtrade standards are set for a range of commodities from the developing world including tea, sugar, cocoa, fresh fruits. The standards include a Fairtrade price which covers the cost of production and a premium which is invested in the local community.

Under Fairtrade labelling, there are **two sets of generic producer standards**; one for small farmers and one for workers on plantations and in processing factories. The first set applies to smallholders organised in co-operatives or other organisations with a democratic, participative structure. The second set applies to organised workers, whose employers pay decent wages, guarantee the right to join trade unions and provide decent housing, where relevant. On plantations and in factories, minimum health and safety as well as environmental standards must be complied with, and no child or forced labour can occur.

As Fairtrade is also about development, the generic standards distinguish between minimum requirements which producers must meet to be certified Fairtrade. Progress requirements also encourage producer organisations to continuously improve working conditions and product quality, to increase the environmental sustainability of their activities and to invest in the development of their organisations and the welfare of their members or workers.

Trading standards stipulate that traders must:

- pay a price to producers that covers the costs of sustainable production and living;
- pay a premium that producers can invest in development;
- make partial advance payments when requested by producers;
- sign contracts that allow for long-term planning and sustainable production practices.

Monitoring

The Fairtrade Foundation, with its international partners, checks that approved products continue to meet these criteria.

UK companies

Fairtrade can only work if commercial companies are willing to buy from registered producers on these Fairtrade terms. Those that do can obtain a licence to use the FAIRTRADE Mark on specific products in the UK, by signing a legal agreement with the Fairtrade Foundation. The Foundation monitors the licensee companies to ensure that they buy from the registered producers and observe the terms for any product labelled as Fairtrade. The Fairtrade Foundation receives regular audit reports from the companies, which detail which producers they buy from, and the prices paid. These are checked with the producers, and independent auditors are employed to verify the companies' records.

FAIRTRADE Mark products

Currently, more than 900 retail and catering products from coffee to wine carry the FAIRTRADE Mark in the UK. Retail sales of Fairtrade certified products are increasing by over 40% each year:

Retail value*	1998	1999	2000	2001	2002	2003	2004
Coffee	13.7	15.0	15.5	18.6	23.1	34.3	49.3
Tea	2.0	4.5	5.1	5.9	7.2	9.5	12.9
Chocolate/cocoa	1.0	2.3	3.6	6.0	7.0	10.9	16.5
Honey products	n/a	0.1	0.9	3.2	4.9	6.1	3.4
Bananas	n/a	n/a	7.8	14.6	17.3	24.3	30.6
Other	n/a	n/a	n/a	2.2	3.5	7.2	27.3
Total (£ million)	16.7	21.8	32.9	50.5	63.0	92.3	140

- assumes a margin of 40% for retailers (30% on bananas)

Consumer awareness

Results of the many market research surveys (MORI) conducted over the last few years indicate that there is growing awareness of, and potential demand for, Fairtrade products. The survey in May 2005 found that:

- 50% of the adult population can now identify the certification mark, up from 25% in 2003 and 39% in 2004. This was measured by the percentage of total respondents who correctly associate the symbol with the strap-line 'Guarantees a better deal for Third World Producers'.

Producers

Worldwide, Fairtrade is working with 422 producer organizations in 49 countries, with benefits reaching around 5 million people – farmers, workers and their families.

You can read about the impact Fairtrade has had on producers' lives on the Fairtrade Foundation website at www.fairtrade.org.uk/suppliers_growers.htm.

"Before, I was someone that took a box and loaded it onto a train. That was my only responsibility. In this new system, I have become an international businessman." – Arturo Gomez, Costa Rica.

"Through Fairtrade we have been able to organise ourselves. Before the Fairtrade Label initiative came to our plantation, we had to beg the owners for just a little thing. But they still did not listen to us. Now we are able to discuss matters together with the management... We have been empowered and are able to discuss plantation matters with management in a team spirit." – Ruplal Raj, Makaibari, India