



Fair Trade Standards and their Verification in Brief

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What is Fair Trade?

Fair Trade is a trading partnership based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalised producers and workers - especially in the South. Fair Trade organisations (backed by consumers) are actively engaged in supporting producers, awareness raising and in campaigning for changes in the rules and practices of conventional international trade.¹

From modest beginnings sixty years ago, Fair Trade has developed into a worldwide concept, providing decent living and working conditions for over one million small-scale and marginalized producers and poor workers in developing countries. Fair Trade producers and importers, retailers, labelling organisations, volunteers and support organisations are organized into global Fair Trade associations². In recent years, Fair Trade sales have experienced annual growth rates of 20% to 30%, reaching two billion € in 2006. The success of Fair Trade shows that the existing Fair Trade standards and monitoring systems enjoy high levels of trust among consumers.

Two routes to market Fair Trade...

Fair Trade products are marketed through two different routes. The traditional or integrated route is where goods are produced, imported and/or distributed by specialized Fair Trade Organizations who have Fair Trade at the core of their mission and activities. The other route to market is through Fairtrade labelling and certification. In this case, goods (mainly food products) are Fairtrade certified by an independent third party verification body to guarantee that their production chains respect Fairtrade standards. The importers and traders can be traditional commercial companies, and the distribution channels can be regular retail outlets.

...are reflected in two sets of Fair Trade Standards

The existing Fair Trade standards respond to the needs of these two approaches. International Fair Trade standards for labelled products have been developed by FLO (Fairtrade Labelling Organizations International) and for Fair Trade Organizations by IFAT (International Fair Trade Association). Both systems are based on the joint Fair Trade definition and principles. This document aims at giving a brief overview of these two systems. Details can be found at www.fairtrade.net and www.ifat.org.

1) International Standards for Fairtrade labelled products

Fairtrade Labelling Organizations International (FLO), established in 1997, is an association of 20 national Labelling Initiatives that promote and market the Fairtrade Certification Mark in their countries. FLO is the leading Fairtrade standard setting body for labelled products. Its affiliated company FLO-Cert regularly inspects and certifies over 500 producer organizations in more than 50 countries in Africa, Asia and Latin America. Fairtrade Standards are developed by the FLO Standards Committee which is composed of FLO's labelling initiatives, producer organizations, traders and external experts.



Producers and traders need to comply with the applicable Generic and Product Standards.

Generic Standards have been developed for both small farmers' organisations and for hired labour. They cover

1. Social Development, including democracy, participation, transparency and non-discrimination
2. Economic Development, including the Fairtrade Premium

¹ Definition of Fair Trade as agreed in December 2001 by the Fair Trade Associations: FLO, IFAT, NEWS! and EFTA

² The three international Fair Trade associations are FLO www.fairtrade.net, IFAT www.ifat.org and FTF www.fairtradefederation.org. EFTA www.eftafairtrade.org and NEWS www.worldshops.net are European associations for specialized Fair Trade importers and Worldshops.

3. Environmental Development and
4. Standards on Labour Conditions, including compliance with the ILO core labour rights (applicable if the organization employs a significant number of workers)

Product standards have so far been developed for 17 food and non-food products, ranging from coffee, tea, sugar, cocoa, rice, and fruit to flowers, cotton and sportballs. The product standards specify the minimum price and premium as well as other product-specific requirements.

Certification of compliance with these standards is done by the independent organization **FLO-Cert GmbH** (www.flo-cert.net), which is currently in the process of becoming ISO 65 accredited.

The Certification Processes consists of three phases:

1. Application
2. Initial Certification and
3. Renewal Certification

Renewal Certification Cycles vary between one year and 3 years. If serious non-compliances are detected, Corrective Action is issued and a follow-up inspection may be carried out which could lead to de-certification if compliance cannot be achieved.

2) International Standards for Fair Trade Organizations

The International Fair Trade Association (IFAT) is the global network of Fair Trade Organizations, with over 300 members in 70 countries. The membership is very diverse, ranging from small producer organizations to large co-operatives and from one person importers to retailers with turnover of several million euros. Two thirds of IFAT members are located in developing countries. IFAT standards are developed in the Standards and Monitoring subcommittee with input from various stakeholders including producers, southern exporters, importers, retailers and Fair Trade support organizations, and approved by the Annual General Meeting.



IFAT has developed 10 international standards for Fair Trade Organizations (FTOs), namely:

1. Creating Opportunities for Economically Disadvantaged Producers
2. Transparency and Accountability
3. Trading Practices
4. Payment of a Fair Price
5. Child Labour and Forced Labour
6. Non Discrimination, Gender Equity and Freedom of Association
7. Working Conditions
8. Capacity Building
9. Promotion of Fair Trade
10. Environment

Each standard is accompanied by a set of measurable indicators and compliance criteria which differ between “entry” and “progress” level. FTOs in compliance with these standards can acquire the right to use the FTO Mark for their organisation.

To ensure compliance with IFAT standards, a three-tier **monitoring system** has been developed, with

1. bi-annual self-assessments, carried out by each member
2. peer reviews, usually carried out by the trading partners and
3. random external verification of 5-10% of organizations every year.

The monitoring system is accompanied by a **complaints** procedure. If a complaint is credible, an External Verification can be commissioned. The investigation can lead to suspension or expulsion from membership and withdrawal of the right to use the FTO Mark.

Fair Trade Standards are a tool to fight poverty

The impact of Fair Trade is being achieved thanks to a comprehensive approach, combining fair trading conditions with producer support, awareness raising and campaigning for fairer trade rules. In this context, standards are not an end in themselves but a tool to foster market access under fair conditions for marginalized producers and disadvantaged workers.