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FROM THE AMERICAN PEOPLE

# TOPIC BRIEFING

## Fair Trade Standards

**The following types of enterprises are most likely to produce Fair Trade products:**

**Small scale farmers, small scale manufacturers, cooperatives, micro entrepreneurs**

Key URLs:

FLO: [www.fairtrade.net](http://www.fairtrade.net)

IFAT: [www.ifat.org](http://www.ifat.org)

NEWS: [www.worldshops.org](http://www.worldshops.org)

EFTA: [www.eftafairtrade.org](http://www.eftafairtrade.org)

### **DISCLAIMERS:**

*This is a simplified, non-technical briefing for informational purposes. It has not been reviewed or approved by the Fairtrade Labelling Organisations International (FLO), nor any of the other Fair Trade organizations described herein.*

*This topic briefing does not constitute or imply USAID endorsement of any Fair Trade standard, product, or related organization.*

**Overview.** Fair Trade product standards exist for a number of agricultural products (e.g. coffee, tea, rice, fruit, juices, cocoa, sugar, honey, wine, flowers) and a limited number of simple manufactured goods (e.g. sports balls).

Fair Trade Standards are intended to assure a better deal for small-scale producers in developing countries.<sup>1</sup>

**Key organizations.** The Fairtrade Labelling Organisations International (FLO) is the worldwide Fair Trade standard-setting and certification organization. FLO's members are 19 national initiatives (Fairtrade labeling organizations). Certification of producers and traders to Fairtrade standards is based on field visits and audits.

(Figures cited in this topic briefing are generally for Fair Trade activities carried out under FLO standards.)

Some other key organizations in the Fair Trade area are:

IFAT (International Fair Trade Association), an association of 250 organizations engaged in Fair Trade at all positions in the supply chain.)

NEWS (Network of European Worldshops), an umbrella network of 15 different national Worldshop associations in 13 European countries. ("Worldshops" generally focus on selling fairly traded products and raising consumer consciousness regarding Fair-trade.)

EFTA (European Fair Trade Association), a network of the 11 largest Fair Trade product importers in Europe.

When FLO, IFAT, NEWS and EFTA collaborate, they are known by the acronym FINE.

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<sup>1</sup> FINE defines Fair Trade as 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, marginalized producers and workers especially in the South."

## Fair Trade products from Africa include:

Tea & Coffee,  
Wine,  
Honey,  
Nuts and fruits,  
Palm and virgin coconut oil,  
Shea butter,  
African black soap,  
Cocoa products

(e.g cocoa butter)

Musical instruments, Baskets,  
Beads, Books, Arts and crafts,  
Musical recordings,  
Home decorations,  
Textiles,  
Fashion accessories (ear  
rings, necklaces bracelets)

*\*Product-specific FLO standards do not exist for all these products.*

## Who is the Fair Trade consumer?

Fair Trade is driven by consumers who are concerned with products origins and willing to pay higher costs for a “socially responsible” product.

Fair Trade consumers likely to ask such questions as:

Where was the product made?

Under what Conditions was it produced?

Was Child Labor Involved?

Was it produced in an Environmentally Friendly manner?

Are workers being properly compensated for their labor?

**Extent of adoption.** Fair Trade has been in existence for over 40 years. However, it grew significantly in the 1990's after a number of multinational corporations received highly negative publicity over their production practices and those of their suppliers in developing areas.

Globally, an estimated 5 million people—farmers, workers and their families—are benefiting from various Fair Trade systems.

Fair Trade operations are currently established in at least 60 developing countries, with 464 producer organizations and 515 traders operating under Fair Trade standards.

Africa is the fastest growing region within the Fair Trade network with more than 120 producer organizations currently certified to Fairtrade standards.

The figure for overall international sales of Fair Trade products in 2004 is estimated to be in excess of €800m, and the sale of fair trade products is growing by approximately 50% per year.

Seven of the G8 countries are leading Fair Trade Markets: (Canada, France, Germany, Italy, Japan, UK, and USA.)

Increasingly, Fair Trade products are sold via mainstream retailers. However, organizations such as NGO's, Church and labour groups are the traditional retailers of Fair Trade goods, and remain very important to the Fair Trade market.

**Basic requirements of Fair Trade standards.** Fair Trade standards are first and foremost intended to provide a fair price or living wage to producers. To achieve this and the other social development goals of Fair Trade, there are 2 basic types of standards: *Producer* standards and *trading* standards.

*Producer* standards specify conditions of work and production. For example, registration is permitted only to democratically organized producer associations or plantations with independent democratic unions who must uphold basic ILO (International Labour Organization) conventions.

In general, *trading* standards require that traders must

- Pay a price to producers that covers the costs of sustainable production and a living wage to producers.
- Pay a premium that producers can invest in development. (Producer groups decide democratically how such premiums will be used.)
- Partially pay in advance, when producers request it.
- Sign contracts that allow for long-term planning and sustainable production practices.

## Fair Trade in the UK

There are now over 900 Fair Trade certified retail and catering products in the UK.

One in two adults in the UK recognizes the FAIR TRADE Mark.

The UK Government-supported Commission for Africa has called for increased investment to expand opportunities for developing country producers to enter into Fair Trade markets.

## Fair Trade coffee in North America

In the United States, there are over 100 companies that have licensing agreements with TransFair USA (the US member of FLO; [www.transfairusa.org](http://www.transfairusa.org)), to offer Fairtrade-Certified coffee.

Major roasters include Starbucks, Tully's, Peet's, Equal Exchange, Diedrich, and Green Mountain, serving over 7,000 retail locations, with volumes rising every day.

For example, Starbucks Coffee Company and TransFair USA formed an alliance in which Starbucks markets Fair Trade Certified coffee in over 2,000 retail locations across the United States and through the Starbucks.com website.

Fair Trade coffee is chemical fertilizer and pesticide free. Fair Trade coffee is normally grown in small plots of mixed crop, or shade grown organically.

## Café Competition in Ottawa, Ontario, Canada

Like other North American markets, Free Trade Coffee has become an important dynamic in attracting customers in Ottawa's competitive café scene.

Second Cup, Canada's leading café franchise refuses to introduce Fair Trade Coffee. Consumer groups and Fair Trade activists are contemplating a boycott.

Starbucks and Timothy's World Coffee, two other leading competitors, offer customers a selection of Free Trade coffees.

Bridgehead Coffee, a café franchise that is expanding rapidly in the Ottawa area (seven locations and counting), sells only Fair Trade coffee. Bridgehead café has been voted the best café in polls of café goers.

## Thandi: Fair Trade Fruit from South Africa

Since 2003, South Africa has been producing fair trade apples, grapes and oranges for sale in UK supermarkets. Much of this fruit originates from farms involved in Thandi, a project aimed at empowering black producers and workers through facilitating their involvement in international trade.

Thandi includes emerging small-scale producers as well as larger commercial farms that have at least 25 percent ownership by black workers and/or local communities. Thandi fruit is marketed by South Africa's largest fruit exporter, Capespan. Capespan, has been involved in the project from the start and provides the link between producers and export markets.

## Cocoa from Kuapa Kokoo, Ghana

The Ghanaian cocoa producers' union Kuapa Kokoo is one of the best known sources of Fair Trade products. With over 40,000 farmer members, Kuapa Kokoo operates with a "tiered democratic structure" for member participation in governance.

In 1998 Kuapa Kokoo jointly founded the Day Chocolate Company to market Fair Trade chocolate. Day Chocolate launched the fair trade brands Divine and Dubble, both of which are now widely available in the UK. Kuapa Kokoo's Fair Trade sales were further boosted when, in 2002, the Co-op announced the transfer of all its own brand chocolate to Fair Trade.