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A Reader¹

Resources on Fair Trade

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¹ Most text in this Reader has been directly taken from the original documents or websites and is intended not to exhaustively cover the issue of Fair Trade but to provide for a brief overview and information resources. For any input, kindly contact at CTA Isolina Boto (boto@cta.int) or Camilla La Peccerella (lapeccerella@cta.int). The Reader and most of the resources are available at <http://brusselsbriefings.net/>.

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Fair Trade

1. Introduction

Rationale

The term “Fair Trade” (FT) has various meanings. In this Reader, it is used to indicate the “Fair Trade movement”, represented in particular by Fairtrade Labelling Organisations International (FLO) and its associate organisations (and hence the use of “Fair Trade” in this note is with capital letters). These groups aim to provide an alternative business which attempts to redistribute returns to factors of production in a manner that is “fairer” for developing-country producers. In this sense, conventional trading relations involving developing country producers are deemed “unfair” insofar as the returns to those producers are abnormally low in an economic, environmental and/or social sense. Hence, Fair Trade seeks to secure higher earnings for developing country small-producers that will allow them to cover production costs, earn higher returns and address potential market failures such as environmental degradation and/or low labour standards². Fair Trade, therefore, seeks to connect low-income producers and consumers in large markets in more equitable and sustainable ways. It originates in a growing interest among consumers in large markets in the development of socially responsible traders, that would allow for a “social value added” in their commercial transactions. This value added is generated when the purchase of a product, besides its intrinsic value, gives the final consumer the benefit of knowing that it contributes to improve the quality of life of a group of low-income producers³.

Historical background

The fair trade concept has been developing in western nations throughout the past 40 years or so, in response to a growing recognition that benefits accruing from trading and trade growth are not necessarily shared by all countries and all layers of the population within each country in a comparable manner.

It all started in the United States, where Ten Thousand Villages (formerly Self Help Crafts) began buying needlework from Puerto Rico in 1946, and SERRV began to trade with poor communities in the South in the late 1940s. The first formal “Fair Trade” shop which sold these and other items opened in 1958 in the USA.

The earliest traces of Fair Trade in Europe date from the late 1950s when Oxfam UK started to sell crafts made by Chinese refugees in Oxfam shops. In 1964 it created the first Fair Trade Organization. Parallel initiatives were taking place in the Netherlands and in 1967 the importing organization, Fair Trade Original, was established. At the same time, Dutch third world groups began to sell cane sugar with the message “by buying cane sugar you give people in poor countries a place in the sun of prosperity”. These groups went on to sell handicrafts from the South, and in 1969 the first “Third World Shop” opened. World Shops, or Fair Trade shops as they are called in other parts in the world, have played (and still play) a crucial role in the Fair Trade movement. They constitute not only points of sales but are also very active in campaigning and awareness-raising.

During the 1960s and 1970s, NGOs and socially motivated individuals in many countries in Asia, Africa and Latin America perceived the need for fair marketing organizations which would provide advice, assistance and support to disadvantaged producers. Many such Southern Fair Trade Organizations were established, and links were made with the new organizations in the North. These relationships were based on partnership, dialogue, transparency and respect. The goal was greater equity in international trade.

Parallel to this citizens’ movement, the developing countries were addressing international political fora such as the second UNCTAD conference (United Nations Conference on Trade and Development) in Delhi in 1968, to communicate the message “Trade not Aid”. This approach put the emphasis on the establishment of equitable trade relations with the South, instead of seeing the North appropriate all the benefits and only returning a small part of these benefits in the form of development aid.

The growth of Fair Trade (or alternative trade as it was called in the early days) from the late 60s onwards grew as a response to poverty and sometimes disaster in the South and focused on the marketing of craft products. Its founders were often NGOs, working with their counterparts in countries in the South, assisting them to establish Southern Fair Trade Organizations that organize producers and production, provide social services to producers, and export to the North. Alongside the development trade there was also a branch of solidarity trade. Organizations were set up to import goods from progressive countries in the South that were both politically and economically marginalised⁴.

² OECD, Fair Trade and the Multilateral Trading System, OECD Papers, Volume 5, Number 2, July 2005 , pp. 1-14. Downable for free at <http://www.ingentaconnect.com/>

³ Inter-American development Bank, Brazil, Promotion of socially responsible market opportunities – Donors Memorandum, <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=1041483>

⁴ IFAT, 60 years of Fair Trade, http://www.ifat.org/index.php?option=com_content&task=view&id=10&Itemid=12&limit=1&limitstart=1

Fair Trade in the ACP-EU context

Fair Trade has repeatedly been recognized by the European Commission and EU member governments for its contribution to poverty reduction and sustainable development. In 1998, the European Parliament adopted the "Resolution on Fair Trade"⁵, which was followed in 1999 by the "Communication from the Commission to the Council on "Fair Trade"⁶. In 2000, the ACP-EU Cotonou Agreement made specific reference to the promotion of Fair Trade⁷. In 2001 and 2002, several other EU documents explicitly mentioned Fair Trade, most notably the 2001 Green Paper on Corporate Social Responsibility and the 2002 Communication on Trade and Development. In 2004, the EU adopted the "Agricultural Commodity Chains, Dependence and Poverty – A proposal for an EU Action Plan", with a specific reference to the Fair Trade movement which has "been setting the trend for a more socio-economically responsible trade."⁸ In 2005, in the EC communication "Policy Coherence for Development – Accelerating progress towards attaining the Millennium Development Goals"⁹, Fair Trade is mentioned as "a tool for poverty reduction and sustainable development". Finally, in 2006, the European Parliament unanimously adopted a resolution on Fair Trade, recognizing the benefits achieved by the Fair Trade movement, suggesting the development of an EU-wide policy on Fair Trade¹⁰.

2. What is Fair Trade?

2.1 Definition and definitional issues

Fair Trade is a particular type of relationship between 'ethical consumers' and low-income producer households through international trade. The accepted definition of FT makes it clear:

"Fair Trade is a trading partnership based on dialogue, transparency and respect, which 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 engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade."¹¹

FT, Ethical trade and environmentally-driven trade

It is important to relate definitions of FT to other alternative trade approaches.

Fair Trade may be viewed as one part along a continuum of related non-governmental activities, which aim at promoting "sustainable trade" and "ethical trade"¹². What distinguishes Fair Trade is that this movement focuses on producer groups and involves paying participating producers a pre-determined price for their labelled products. "Ethical trade" focuses on production methods and results, and has a corporate focus in that it attempts to ensure that labour, environmental, and human rights standards are upheld within a corporation's supply chain. In particular, ethical trade promotes adherence to core labour standards for employees and currently has no specific concern with the terms of trade or seeking to overcome the marginalisation of producers¹³. As noted by the European Commission¹⁴, the FT concept could be taken as applying to trading situations and commodities where social and environmental standards are not, or cannot be (because of the way in which production is organised), enshrined in law. Environmentally-driven trade is concerned with ensuring that traded products are produced using environmentally sustainable techniques.

There is a considerable overlap of issues and attitudes between different types of alternative trade. On the demand side, individuals and organisations sensitive to environmental issues are also likely to be concerned about social justice. On the supply side, there is a significant level of overlap between the standards of different parts of the alternative trade movement. In particular, FT labelling criteria relating to agricultural commodities

⁵ European Parliament, Resolution on Fair Trade, A4-0198/98, OJ C 226/73, 20.07.1998.

⁶ Communication from the Commission on Fair Trade, COM (1999) 619 final, 29.11.1999.

⁷ Art. 23 (g) Partnership Agreement ACP-EC, signed in Cotonou on 23 June 2000.

⁸ Communication from the Commission, Agricultural Commodity Chains, Dependence and Poverty – A proposal for an EU Action Plan, COM (2004) 89, 12.02.2004.

⁹ Communication from the Commission, Policy Coherence for Development – Accelerating progress towards attaining the Millennium Development Goals, COM (2005) 134, 12.04.2005.

¹⁰ European Parliament, Resolution on Fair Trade and development, P6_TA (2006)0320, 06.07.2006.

¹¹ This is the definition produced by FINE, an informal network that involves the Fairtrade Labelling Organizations International (FLO), the International Federation for Alternative Trade (IFAT), the Network of European World Shops (NEWS!) and the European Fair Trade Association (EFTA).

¹² The term "sustainable" trade has been linked to the definition of sustainability used in the Brundtland Report and confirmed at the Rio and Johannesburg World Summits on Sustainable Development.

¹³ A group of FT NGOs participating in the ETI is currently lobbying for a broadening of the ethical trade concept to pay more attention to these issues (information supplied by Fair Trade Foundation).

Fair Trade: Overview, Impact, Challenges.

¹⁴ See Communication from the Commission to the Council on Fair Trade, COM(1999) 619 final, 29 November 1999, p. 4 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:1999:0619:FIN:EN:PDF>

produced on plantations (particularly tea) include stipulations regarding labour standards. About two-thirds of FT product lines are also certified as organic¹⁵.

Despite the close links and overlapping between these different concepts, this Reader focuses exclusively on the FT model.

2.2 Key players in Fair Trade

The Fair Trade scheme involves the following three categories of actors:

- Fair Trade producers usually represent co-operatives or associations in developing countries. To participate in the Fair Trade scheme, they have to join Fair Trade membership organisations— e.g., Fairtrade Labelling Organisations (FLO), Fair Trade Federation (FTF) and International Fair Trade Association (IFAT). Participation commits producers to abide by Fair Trade standards, pay annual fees and supply products at pre-determined prices.
- Traders are importers, exporters or processors who deal in Fair Trade products, replacing so called middlemen. They are associated with Fair Trade membership organisations and subject to the standards, predetermined prices and monitoring requirements of the organisations which they join. Prime traders include Solidar'Monde (France), Oxfam (UK), Oxfam Wereldwinkels (Belgium) and Claro (Switzerland), to mention a few.
- Retailers interface with the end consumers of Fair Trade products. World Shops represent the most common outlets for Fair Trade products. Recently, however, Fair Trade products have begun to make their way into general retailers, such as supermarket chains¹⁶.

Moreover, there are *five key networking or membership organizations* that seek to bring Fair Trade organizations together. Each services a different group of Fair Trade organizations and therefore takes a different perspective on the nature of Fair Trade.

IFAT—International Federation for Alternative Trade

IFAT is the only worldwide Fair Trade networking organization that brings producers and Alternative Trade Organizations (ATOs) together in a single organization. IFAT aims to improve the livelihood of disadvantaged people in developing countries by linking and strengthening organizations that offer “just” alternatives to unfair trade structures and practices. It is a federation to promote Fair Trade and a forum for exchanging information to help members increase benefit to producers. From the mid-1970s onwards, a group of 30 ATOs met regularly to support each other and share ideas. A meeting of that group in 1989 decided to formalize the grouping and create an inclusive global network. Southern organizations began joining after the 1991 biennial IFAT conference, and now represent more 60 per cent of the membership.

FLO—The Fairtrade Labelling Organization

Following on from the successful launch of Max Havelaar coffees in 1988, a number of independent Fairtrade certification bodies were created. To coordinate the monitoring and standards of these National labelling Initiatives (NIs), a common approach to monitoring producers was agreed. Each agency would monitor a list of producers and share that information across Europe. In 1997 this cooperation was formalized through the creation of FLO. There are now 20 NIs that use the shared monitoring and standard setting service that FLO offers. The NI then licence a local FLO endorsed mark to businesses in their geographic area¹⁷.

Currently, FLO takes a very rigorous product-by-product approach to register development. The criteria are complex to develop for each sub-sector and the registers expensive to maintain—worth noting that Fairtrade labelling is the only labelling scheme in the world where the consumer pays for the monitoring of the producers. From May 25th 2007, the Producer Networks CLAC (Coordinadora Latinoamericana y del Caribe de Comercio Justo), AFN (African Fairtrade Network) and NAP (Network of Asian Producers) officially became full members of FLO too¹⁸.

NEWS—The Network of World Shops

NEWS coordinates the cooperation between World Shops all over Western Europe. The network consists of 15 national World Shops associations in 13 different countries and in total represents 2,500 World Shops. NEWS was established in 1994 and much of its focus is around maximizing the campaigning voice of the shops and their customers. The European World Shops day is held in May every year and focuses on shop-based activities ranging from product-tasting to campaigns.

¹⁵ Source: Fair Trade: Overview, Impact, Challenges. Study to Inform DFID's Support to Fair Trade, 2000

<http://www.agtradepolicy.org/output/resource/Fair2.pdf>

¹⁶ See OECD, Fair Trade and the Multilateral Trading System, OECD Papers, Volume 5, Number 2, July 2005, pp. 1-14.

Available for free at <http://www.ingentaconnect.com/>

¹⁷ Labelling Initiatives are national organizations which license companies to use the FAIRTRADE Mark on consumer products and promote Fairtrade in their countries.

¹⁸ FLO, Shaping Global partnership. FLO International Annual report 2006-2007, http://www.fairtrade.net/uploads/media/Final_FLO_AR_2007_01.pdf

EFTA—The European Fair Trade Association

EFTA was set up in 1990 as a trade association to enable cooperation between the European ATOs to be coordinated and effective. EFTA has 13 members who pay a significant membership fee (around \$10,000) to resource a small secretariat headquartered in Maastricht (Netherlands) with other staff based elsewhere in Europe. There are three key ways that the cooperation has developed. First, EFTA acting as trade association represents the European ATOs in various fora and seeks to agree a common line on issues external to the movement. Through a small advocacy office in Brussels, EFTA has raised the profile significantly of Fair Trade with the European Parliament and Commission. Second, through creating an environment for working together, particularly in the food sectors, the EFTA members share manufacturing and importing of key commodities. For example, the Swiss Fair Trade organization, Claro, coordinates the production of chocolate for all of the EFTA members. The economies of scale derived from this make the product reasonably successful in all of the European markets. Finally, because FLO only monitors against the seven agricultural commodities that it has registers for, EFTA has developed a system called Fair Data that shares monitoring information among all of the participants. This covers hundreds of non-FLO producers enabling the cost of monitoring Fair Trade suppliers to be shared.

FINE

In an effort to unite standards and approaches the four key Fair Trade networking organizations began to meet together in an effort to unite the movement around the things that could be readily agreed on. The FINE—FLO, IFAT, NEWS and EFTA—group was established to build relationships and common approaches. The key success so far is the FINE definition of Fair Trade that was agreed by all of the participants in 1999. This definition has been revised further and is to be agreed among all the members during 2001. Although short on radical action, FINE has created an environment of trust and cooperation. As common approaches are coordinated among the members, some bilateral arrangements will help to pull the Fair Trade players more closely together. For example, IFAT has a self-monitoring scheme to prove you are a Fair Trade organization. The next step would be introduce external monitoring—a role that FLO could play. Although by no means certain that these steps will be taken, if they are then FINE may need to become more of institution to support this increased cooperation¹⁹.

3. The routes of commercialisation of Fair Trade products

Fair Trade products are commercialised under two different routes. The traditional or integrated route is the route where products (mainly crafts) are produced, imported and/or distributed by a Fair Trade Organisation. Another marketing route is through Fair Trade labelling initiatives and certification. In this case, goods are labelled by specialised Fair Trade certification agencies to testify that their production chains respect Fair Trade standards. The importers and traders can be traditional commercial companies, and the distribution channels can be regular retail outlets.

The integrated route

Fair Trade products are made available to consumers through Fair Trade Organisations which identify and source products directly from small producers and co-operatives, and import and market them in specialised outlets such as Worldshops.

All aspects of their commercial operations are based on a Fair Trade ethos, and as much of the final price as possible is passed back to the producers. In many cases profits generated are devoted to development causes. The majority of products marketed through Worldshops are not labelled as such; the purchase is done on the basis of confidence. The “brand names” or Fair Trade Mark of these organisations are in themselves a signal to consumers that the products and business practices are in accordance with Fair Trade principles. Most of the Fair Trade Organisations and producer organisations are members of the International Fair Trade Association, IFAT. The use of a Fair Trade Organisation (FTO) Mark is granted to a Fair Trade Organisation which has successfully met the requirements of the IFAT Standards and Monitoring system²⁰.

The Fair Trade labelling route

Under this route, national labelling initiatives monitor the compliance with Fair Trade standards by producers or traders against a set of internationally harmonized standards.

¹⁹ Source ILO, Creating Market Opportunities for Small Enterprises: experiences of the Fair Trade Movement, 2002, <http://www.ilo.org/dyn/empent/docs/F1057768373/WP30-2002.pdf>

²⁰ Source, European Parliament, Report on Fair Trade and Development, (2005/2245(INI)), Rapporteur: Frithjof Schmidt, Committee on Development, 06 June 2006, <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+REPORT+A6-2006-0207+0+DOC+PDF+V0//EN&language=EN>

The objective here is to follow normal distribution patterns in order to facilitate greater access to fair trade products. There is therefore, no longer the confidence of the close link between producer and outlet as with the traditional fair trade movement. Here, the importers and traders are normal commercial companies, and the goods are sold through normal retail outlets, but a fair trade label, awarded by a fair trade certification agency, signifies to the consumer that the goods and the marketing chain respect fair trade principles. The four fair trade labels used within the EU are “Max Havelaar”, “Transfair”, the “Fairtrade Mark” and “Rättvisemärkt”.

A fair trade symbol is displayed on the packaging, certifying that the production and marketing processes respect fair trade criteria. The label is additional to other labelling information requirements, such as quality classification and origin, which are governed by the normal statutory rules²¹.

In 1997, the various national FT labelling initiatives formed an umbrella organization called Fairtrade Labelling Organizations International (FLO). FLO is responsible for certifying and monitoring producers, accrediting a single organization to certify FT practices in each country and coordinating work among its members.

FLO is the only certification system in the world where producers do not pay for their certification. Different from other schemes, the consumer pays for the Fair Trade system. Traders pass on to consumers the higher FT price and premium that they pay producers. The financial resources flow all the way back from the consumer who buys the product, to the producer. The national entity in each country charges the Licensee a fee for using the Fair Trade label. This pays for all of FLO's certification and monitoring costs and for the National Initiatives marketing expenses. So the cost of the system is included in the retail price, making Fair Trade labelling sustainable²². These organisations are all members of FLO (Fairtrade Labelling Organisations International), the Fair Trade standard-setting and certification organisation. The International Fairtrade Standards are developed and regularly reviewed and monitored independently²³.

4. Standards and standards setting

The two above mentioned routes to market Fair Trade products are reflected in two sets of Fair Trade Standards: international Fair Trade standards for labelled products have been developed by FLO (Fairtrade Labelling Organizations International) and international standards for Fair Trade Organizations have been developed by IFAT (International Fair Trade Association).

Both systems are based on the joint Fair Trade definition and principles.

4.1 International Standards for Fairtrade labelled products

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.

4.1.a Generic standards

FLO stipulates two sets of generic producer standards, one for small farmers and one for workers on plantations and in factories.

The first set applies to smallholders organised in cooperatives 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 good 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 may occur²⁴.

As Fairtrade is also about development, the generic standards distinguish between minimum requirements, which producers must meet to be certified Fairtrade, and progress requirements that encourage producer organisations continuously to improve working conditions and product quality, to increase the environmental sustainability of their activities and to invest in the development of the organisations and their producers/workers²⁵.

4.1.a.1 Generic Standards for both small farmers' organisations and for hired labour cover:

²¹ Communication from the Commission to the Council on Fair Trade, COM(1999) 619 final, 29 November 1999

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:1999:0619:FIN:EN:PDF>

²² Inter American Development Bank (IADB), Brazil - Promotion of socially responsible market opportunities – Donors Memorandum, <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=1041483>

²³ Source, European Parliament, Report on Fair Trade and Development, cit.

²⁴ Source: Fair Trade Advocacy Office, Fair Trade Standards and their Verification in Brief, April 2007

<http://www.fairtrade-advocacy.org/documents/FairTradestandardsandtheirVerificationinBrief.pdf>

²⁵ Source, UK Food Group Briefing, Achieving fairness in trading between supermarkets and their agrifood supply chains, 2005, http://www.eldis.org/fulltext/UKfood_brief_fairsupplychains_0905.pdf

1. *Social Development, including democracy, participation, transparency and non-discrimination* - For small farmers Fairtrade Standards require an organizational structure that allows the farmers to actually bring a product to the market. All members of the organization need to have access to democratic decision-making processes and as far as possible participate in the activities of the organization. The organization needs to be set up in a transparent way for its members and must not discriminate any particular member or social group. For hired labour situations the Fairtrade Standards require from the company to bring social rights and security to its workers. Some of the core elements are: training opportunities, non discriminatory employment practises, no child labour, no forced labour, access to collective bargaining processes and freedom of association of the workforce, condition of employment exceeding legal minimum requirements, adequate occupational safety and health conditions and sufficient facilities for the workforce to manage the Fairtrade Premium.

2. *Economic Development, including the Fairtrade Premium* - For all products Fairtrade Standards require the buyers to pay a Fairtrade Minimum Price and/or a Fairtrade Premium to the producers. The Fairtrade Minimum Price allows the producer to cover the costs of sustainable production. The Fairtrade premium is money for the farmers or for the workers on a plantation to invest in improving their livelihood. Premium money in this sense is meant to improve the situation of local communities in health, education, environment, economy etc. The farmers or workers decide themselves on what are the most important priorities for them and manage the use of the Fairtrade Premium.

Also, Fairtrade Standards require buyers to give a financial advance on contracts, called pre-financing, if producers ask for it. This is to help producers to have access to capital and so overcome what can be one of the biggest obstacles to their development. This promotes entrepreneurship and can assist the economic development of entire rural communities.

3. *Environmental Development* - Fairtrade Standards include requirements for environmentally sound agricultural practises. The focus areas are: minimized and safe use of agrochemicals, proper and safe management of waste, maintenance of soil fertility and water resources and no use of genetically modified organisms. However, Fairtrade Standards do not require organic certification as part of its standards. Higher costs for organic production are considered though, by higher Fairtrade Minimum Prices for organically grown products.

4. *Standards on Labour Conditions, including compliance with the ILO core labour rights (applicable if the organization employs a significant number of workers)*²⁶.

4.1.a.2 Generic standards for traders.

Trading standards stipulate that traders have to:

- pay a price to producers that covers the costs of sustainable production and living;
- pay a premium that producers can invest in development;
- partially pay in advance, when producers ask for it;
- sign contracts that allow for long-term planning and sustainable production practices²⁷.

4.1.b Product standards

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 GmbH²⁸.

The setting of standards or criteria, certification that those standards have been met, and labelling to indicate that the producer has been certified are critical elements for the operation of Fair Trade schemes. Fair Trade membership organisations certify and monitor producers, traders and retailers based on these standards and authorise them to use their labels or logos²⁹.

Finally, there are a few product-specific Fairtrade standards for each product that determine such things as minimum quality, price, and processing requirements that have to be complied with³⁰.

4.2 International Standards for Fair Trade Organizations: what does Fair Trade mean for producers' organizations?

²⁶ Fair Trade Advocacy Office, Fair Trade Standards and their Verification in Brief, cit.

For more information on Generic Fairtrade Standards for Small Farmers' Organizations see FLO, Generic Fairtrade Standards for Small Farmers' Organizations, December 2007,

http://www.fairtrade.net/fileadmin/user_upload/content/Generic_Fairtrade_Standard_SF_Dec_2007_EN.pdf and

Explanatory Document for the Generic Fairtrade Standard for Small Farmers' Organisations, 2006

http://www.fairtrade.net/uploads/media/Explan_Doc_Small_Farmers_Mar_2006_EN_01.pdf

²⁷ UK Food Group Briefing, Achieving fairness in trading between supermarkets and their agrifood supply chains, 2005

http://www.eldis.org/fulltext/UKfood_brief_fairsupplychains_0905.pdf

²⁸ Fair Trade Advocacy Office, Fair Trade Standards and their Verification in Brief, April 2007

<http://www.fairtrade-advocacy.org/documents/FairTradestandardsandtheirVerificationinBrief.pdf>

²⁹ See OECD, Fair Trade and the Multilateral Trading System 2005, cit.

³⁰ UK Food Group Briefing, Achieving fairness in trading, cit.

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 cooperatives 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 organisation³¹.

5. Impact of Fair Trade

The impact of Fair Trade has been studied in many different ways, e.g. by measuring the economic and financial benefits to the producers, by assessing the impact on women, by studying the indirect impact and spill-over effects on the communities, etc. Fair Trade Organisations monitor the impact of their activities regularly: IFAT requires all its member organisations to report their achievements in relation to Fair Trade standards every two years, and sets targets for further improvements. FLO carries out annual inspections of producers on its registers and audits trade flows. Additionally, there is a series of independent impact studies, carried out by research centres, government bodies and universities.

The financial and economic benefits of Fair Trade can be measured relatively easily: In 2003, the extra benefits for coffee farmers, for instance, taking the World market price as defined for Arabica by the NY and for Robusta by the London stock exchange, compared with the Fair trade minimum price and premium, amounted to over 23 million euros.

However, research has shown that the impact is even more significant in non-economic areas, such as the empowerment of producers through capacity building and technical assistance, income security, direct trade and credit provision, etc. Many studies found also an improved level of education, the preservation of indigenous cultures and other social benefits.

Apart from these direct impacts there is a wide range of spill-over effects and indirect impacts to non-Fair Trade producers. The presence of Fair Trade intermediaries can bring changes in weighing practices and price information which ultimately benefits all producers in the area. The organisation of producers helps to break monopolies on prices and transportation³².

6. Fair Trade flows : how big is the Fairtrade market globally?

Some data on Fairtrade sales

In 2007, Fairtrade sales amounted to approximately € 2.3 billion worldwide, a 47 % year-to-year increase over 2006. As per December 2007, 632 Certified Producer Organizations in 58 developing countries were Fairtrade Certified. That represents more than 1.5 million producers and 7.5 millions people, including dependents, benefiting directly from Fairtrade³³.

*Estimated Fair Trade Retail Value in selected EU countries*³⁴

³¹ Fair Trade Advocacy Office, Fair Trade Standards and their Verification, cit.

³² Source, European Parliament, Report on Fair Trade and Development, cit.

³³ Source: FLO, An inspiration for change. Annual Report 2007

http://www.fairtrade.net/fileadmin/user_upload/content/FLO_AR2007_low_res.pdf

³⁴ Elaborated from : An inspiration for change. Annual Report 2007

http://www.fairtrade.net/fileadmin/user_upload/content/FLO_AR2007_low_res.pdf

<u>Country</u>	<u>2006</u>	<u>2007</u>	<u>Increase %</u>
Austria	41,7	52,8	27
Belgium	28	35	25
Denmark	21,5	39,6	71
Finland	22,5	34,6	54
France	166	210	27
Germany	110	141,7	29
Ireland	11,6	23,3	101
Italy	34,5	39	13
Luxembourg	2,8	3,2	14
Netherlands	41	47,5	16
Norway	8,6	18,1	110
Spain	1,9	3,9	105
Sweden	16	42,5	166
UK	409,5	704,3	72
TOTAL (in mio. Euros)	909,6	1395,5	

Market shares of Fairtrade labelled coffee and bananas in selected European countries (Figures for 2004)³⁵

<u>Coffee</u>	<u>Latest year available</u>	<u>Five years ago</u>	<u>Bananas</u>	<u>Latest year available</u>	<u>Five years ago</u>
United Kingdom	20.0	1.5	Switzerland	47.0	15.0
Switzerland	6.0	3.0	United Kingdom	5.5	< 1.0
Austria	2.3	0.7	Finland	5.0	n/a
Denmark	2.0	1.8	Belgium	4.0	0.6
Ireland	2.0	0.5	Austria	2.7	n/a
Belgium	1.7	1.0	Sweden	<1.0	1.8
Germany	1.0	1.0	Denmark	0.9	2.0
Sweden	< 1.0	0.8	Norway	0.6	n/a
Norway	0.9	0.3	Ireland	0.5	n/a
Finland	0.4	0.3	The Netherlands	n/a	4.2
Luxembourg	n/a	3.3	Luxembourg	n/a	4.0
The Netherlands	n/a	2.7	Italy	n/a	1.2
Italy	n/a	0.1	Germany	n/a	< 1.0
France	n/a	0.1	France	n/a	n/a

The case of the United Kingdom

Among the EU countries, the United Kingdom is leader in Fairtrade certified products sales.

Estimated UK retail sales by value 1998-2007 (£ million)³⁶

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Coffee:	13.7	15.0	15.5	18.6	23.1	34.3	49.3	65.8	93.0	117.0
Tea:	2.0	4.5	5.1	5.9	7.2	9.5	12.9	16.6	25.1	30.0
Chocolate/cocoa:	1.0	2.3	3.6	6.0	7.0	10.9	16.5	21.9	29.7	34.0
Bananas:	n/a	n/a	7.8	14.6	17.3	24.3	30.6	47.7	65.6	150.0
Flowers:	n/a	n/a	n/a	n/a	n/a	n/a	4.3	5.7	14.0	24.0
Wine:	n/a	n/a	n/a	n/a	n/a	n/a	1.5	3.3	5.3	8.2
Cotton:	n/a	0.2	4.5	34.8						
Other:	n/a	n/a	n/a	2.2	3.5	7.2	22.3	30.3	45.7	90.0
TOTAL	16.7	21.8	32.9	50.5	63.0	92.3	140.8	195.0	286.3	493.0

³⁵ Adapted from FLO – IFAT – NEWS! – EFTA, Fair Trade in Europe 2005. Facts and figures on Fair Trade in 25 European countries, <http://www.european-fair-trade-association.org/Efta/Doc/FT-E-2006.pdf>

³⁶ Source: FLO website http://www.fairtrade.org.uk/what_is_fairtrade/facts_and_figures.aspx

In the UK, significant percentage increases from 2006-2007 have been estimated:

- Total sales: 127% increase by volume and 72% by estimated retail value
- Total coffee: 33% increase by volume and 24% by estimated retail value
- Total tea: 21% increase by volume and 24% by estimated retail value
- Wine: 47% increase by volume and 51% by estimated retail value
- Flowers: 71% increase by volume and 72% by estimated retail value
- Cotton: 1,655% increase by volume and 658% by estimated retail value

The figures for 2007 also show that the actual volumes of Fairtrade products more than doubled between 2006 and 2007.

Impressive growth figures for 2006 can be seen across global product categories, but in particular cocoa has increased by 93%, coffee by 53%, tea by 41% and bananas by 31%. Sales of Fairtrade cotton, a recent addition to the Fairtrade range, have doubled in just one year.

The growth in product sales was matched by a 29% increase from 1,514 to 1,954 in the number of licensees (companies that sell the final packaged Fairtrade products), with some companies making major commitments to supporting Fairtrade. Sainsbury's converted its entire banana range to 100% Fairtrade during 2007 and last week launched its Fair Development Fund to help make the difference in developing countries, donating £1m over four years to support producers in some of the world's poorest countries in joining Fairtrade. Marks & Spencer responded to its customers' desire for ethical products when it converted its entire tea and coffee range to Fairtrade in 2006³⁷.

Fair Trade production

After coffee, the food range was expanded and it now includes products like tea, cocoa, sugar, wine, fruit juices, nuts, spices, rice, etc. Food products enable Fair Trade Organizations to open new markets, such as institutional markets, supermarkets and bio shops. In addition to these food products, other non food products such as flowers and cotton have been added to the Fair Trade assortment.

The main Fair Trade products that we can find in the Northern supermarkets exported from ACP countries are:

- Commodities: sugar, coffee, cocoa, bananas
- Agricultural non-food product: cotton
- Handicrafts
- Cosmetics

Fairtrade sales volumes by selected products 2005/2007³⁸

	2005	2006	2007
Bananas (MT)	103.877	135.763	233.791
Cocoa (MT)	5.661	7.913	7.306
Coffee(MT)	33.994	52.064	62.209
Cotton (items)	688.170	1.551.807	14.184.000
Flowers (stems, in tsd)	113.535	157.282	237.405
Sugar (MT)	3.612	7.159	15.074
Tea (MT)	2.614	3.883	5.421
Wine (litres)	1.339	3.197	5.740

Fairtrade certified producer organizations by country³⁹

Africa	
Burkina Faso	11
Benin	1
Cameroon	2
Comoros Islands	1
Congo Dem. Rep.	1
Ethiopia	3
Ghana	9
Kenya	36
Ivory Coast	5
Malawi	4

³⁷ Source: FLO website http://www.fairtrade.org.uk/what_is_fairtrade/facts_and_figures.aspx

³⁸ Elaborated from : Shaping Global Partnership, FLO Annual report 2006-2007, http://www.fairtrade.net/uploads/media/Final_FLO_AR_2007_01.pdf and An inspiration for change. Annual Report 2007 http://www.fairtrade.net/fileadmin/user_upload/content/FLO_AR2007_low_res.pdf

³⁹ Elaborated from : An inspiration for change. Annual Report 2007 http://www.fairtrade.net/fileadmin/user_upload/content/FLO_AR2007_low_res.pdf.

Mali	7
Mozambique	1
Namibia	1
Ruanda	7
Senegal	4
South Africa	47
Tanzania	16
Togo	2
Uganda	16
Zambia	2
Zimbabwe	8
<u>Caribbean region</u>	
Belize	1
Cuba	10
Dominican Republic	24
Haiti	8
St. Vincent and the Grenadines	1
<u>Pacific region</u>	
East Timor	1
Papua New Guinea	3
TOTAL	232

7. Some experiences in ACP countries

Networking between Fair Trade Organizations is crucial to their success. All over the world, networks have been established. Regional networks include the Asia Fair Trade Forum (AFTF), Co-operation for Fair Trade in Africa (COFTA), the Association Latino Americana de Comercio Justo (IFAT LA) and IFAT Europe. National networks include Ecota Fair Trade Forum in Bangladesh, Fair Trade Group Nepal, Associated Partners for Fairer Trade Philippines, Fair Trade Forum India, Kenya Federation for Alternative Trade (KEFAT), etc.

Experience of WINFA in the Windward Islands- The Caribbean

The first FT bananas shipment in July 2000 started with 466 growers organized in 12 groups in 3 islands: Dominica, St. Lucia and St. Vincent. In January 2002, there were 584 growers registered in 18 groups in all 4 Windward Islands. By February 2007, it had reached 3376 growers registered in 47 Fairtrade Groups in 4 Windward Islands ⁴⁰

Experience of Fair Trade Cotton in West Africa

Mali, Burkina Faso, Senegal and Cameroon have produced 1300 tonnes of fibres in 2005, 5076 in 2006 and 8000 in 2007 ⁴¹. Fair trade certification concerns more than 300 producer groupings (more than 23 000 producers).

8. Consumer awareness of the Fair Trade products: Awareness raising, campaigning and advocacy

From the beginning, the Fair Trade movement aimed to raise awareness among consumers of the problems caused by conventional trade, and to introduce changes to its rules. The sale of products always goes alongside with information on the production, producers and their conditions of living. It has become the role of World / Fair Trade Shops to mobilize consumers to participate in campaigning activities for more global justice. The first European World Shops conference took place in 1984. This conference set the beginning of close cooperation between volunteers working in World Shops from all over Europe. The Network of European World Shops (NEWS!) was formally established in 1994 and now represents approximately 3.000 World Shops in close to 20 European countries.

The first World Fair Trade Day, which involves the worldwide Fair Trade movement, was celebrated on May 4, 2002. Now World Fair Trade Day takes place every year on the second Saturday of May and has its own Website: www.wftday.org

⁴⁰ Source: R. Renwick (WINFA), Fairtrade Development in the Windward Islands, paper prepared for the 16th April 2008 Brussels Development Briefing.

⁴¹ Source: M. Ouattara (AProCA), Le coton issu du Commerce Equitable : quand le Commerce Equitable soutient les produits transformés et à plus grande valeur ajoutée (Fair Trade cotton: when fair trade supports processed products and greater value added), paper prepared for the 16th April 2008 Brussels Development Briefing

Another tool was the establishment of the FINE Advocacy Office in Brussels, which focuses on influencing the (European) policy-makers. It is supported, managed and funded by the whole movement, represented in FLO, IFAT, NEWS and EFTA – hence its acronym FINE.

TNS Omnimas survey done in 2007⁴² showed that the FAIRTRADE Mark is now recognized by almost three in five British adults. The findings show that 57% of adults can identify the independent Fairtrade consumer label, up five points in just one year, and 53% of respondents correctly associated the symbol with a better deal for producers in the developing world⁴³.

9. The role of retailers

Retailers will point to a commitment to FAIRTRADE labelled (FT) goods that are certified against Fairtrade standards as a sign of commitment to fairness and justice in their trading relationships.

'Getting' Fairtrade has been part of a trend since the mid-1990s in which supermarkets and food companies have sought to de-commodify their mainstream lines, with organic, Fairtrade and 'local' branding offering both reputational and profit benefits. Major supermarket chains not only stock Fairtrade products but have introduced Fairtrade lines amongst their own brands in products such as coffee, tea and chocolate, contributing to both the growth in sales and increased public awareness of the concept of Fairtrade. Similarly, some major branded food companies, both processors and food service, offer the consumer a fair trade choice.

In northern Europe the range of fair trade products available continues to expand and more conventional companies offer a product with a fair trade label⁴⁴.

Fair Trade and the mainstream market

Fair Trade is engaged in the mainstream market both in terms of actively marketing products through mainstream outlets and encouraging conventional companies to use the Fair Trade label and thereby adopt Fair Trade practices. Whilst this is becoming an increasingly important strategy for Fair Trade in some markets, it should be recognised that not all Fair Trade products are appropriate for the mainstream market. To date, Fair Trade products in the mainstream have largely been commodity-based food products such as tea and coffee. This is largely because of the supermarket demand for large volumes and guarantee year-round availability, which can only be accommodated by sourcing from a relatively large number of producers that are well organised. Crafts have faced many difficulties in accessing the mainstream home-ware and interiors market, partly because of the short life-span of products (due to changing fashions) and the high up-front costs of professional design. Many products are likely to remain in a Fair Trade niche.

There is a complex inter-relationship between the positive influence of Fair Trade on the behaviour of conventional companies on the one hand, and the impact of the new ethical approaches on the profile of Fair Trade itself. It is frequently argued that a major contribution of Fair Trade has been to influence the behaviour of mainstream companies (e.g. Ethical Trading Initiative, adoption of "responsible business" practices and codes of conduct). Whilst the more empowering elements of the Fair Trade approach are not always taken on board, the different needs of smallholders in terms of meeting ethical standards is increasingly being considered.

However, the increasing trend for conventional companies to espouse ethical principles --from ethical sourcing of supermarkets to cause-related marketing whereby companies donate a percentage of the consumer price to a charity or environmental group -- has also created increased competition for Fair Trade products. The increasing number of ethical claims in the market place may cloud the Fair Trade message to consumers.

At the same time, many mainstream brands have been reluctant (and even hostile) to support Fair Trade values and activities – it is invariably smaller scale companies that have a Fair Trade labelled product as part of a wider product range. An independently verified label offers smaller manufacturers a relatively easy way of demonstrating responsible practice which may be less attractive to a larger company that has invested more in its own brand profile and consumer message.

Some argue that competition between an increasing number of Fair Trade brands and the adoption of more ethical practices on the part of conventional companies can only be a good thing. The competitive process may encourage more firms to adopt ethical practices, or even Fair Trade practices. However, as we noted above, the complex decision-making processes that lead to ethical consumption and the influence that this has on the sourcing strategies of companies is as yet incompletely understood. Moreover, it is not clear if there is in practice a competitive process between ethical and conventional lines, which would drive non-Fair Trade companies to consider ethical approaches. Supermarkets tend not to stock more than one or two 'ethical lines'

⁴² The survey interviewed a nationally representative quota sample of 1.947 adults throughout Great Britain in 121 sampling points. The survey asked people to identify the Fairtrade symbol, excluding the text which is only used in the UK. This symbol (without the text) is used by FLO labeling initiatives. The survey found that 53% of adults correctly associate the FAIRTRADE symbol excluding the text box with "a better deal for third world producer". Source: FLO website http://www.fairtrade.org.uk/what_is_fairtrade/facts_and_figures.aspx.

⁴³ Source: FLO website http://www.fairtrade.org.uk/what_is_fairtrade/facts_and_figures.aspx.

⁴⁴ UK Food Group Briefing, Achieving fairness in trading, cit.

so that the whole range of Fair Trade brands are not necessarily on offer in particular chains or localities. This can make it less easy for the consumer to consistently choose a Fair Trade product⁴⁵.

10. Arguments in support and against Fair Trade

Arguments in support of Fair Trade include:

- Opportunity to target specific groups for aid (e.g. most marginalized groups)
- Preserves traditional handicrafts and ways of living
- “Tool for philanthropic marketing” – e.g. creates aid funds that would not otherwise exist
- If effective, provides a means to increase producer incomes significantly
- Producers establish more direct personal contacts with importers and processors
- Social and environmental benefits that contribute to local sustainability and stability
- Community and organizational development benefits; better organization increases producer bargaining power
- Encourages diversity of competing market channels; provides producers with more choices
- The movement has positive “corporate social responsibility externalities”
- Facilitates access to credit
- Can lead to general quality improvements which are valuable in conventional markets as well

Among the *arguments against Fair Trade* are:

- Distorts incentives by setting minimum prices
- “Temporary crutch” – prolongs economic dependence of producers by reliance on a niche market of socially-conscious consumers
- Some consumer surveys suggest limited willingness to pay a premium for “causes”
- Gives certain groups advantages over others (is not a universally accessible scheme)
- Specialty producers are most likely to participate but are least affected by low commodity prices
- A truly significant effect on producers requires much broader efforts
- Inefficient means of transferring income from consumer to producer; a direct transfer would economically be more efficient
- Probably does not reduce price volatility, as producers are uncertain how much Fair Trade product can be sold at the Fair Trade price
- More market-friendly options exist (such as promoting products in home markets, making market information more accessible to producers, moving into higher-value product markets)⁴⁶

An increasing number of public institutions are serving Fair Trade products and local authorities include fair and sustainable criteria in their public tenders. Thousands of towns, universities and churches have applied for Fair Trade status, committing to promote Fair Trade and to contribute to overcoming poverty and exclusion. Increasingly, representatives from developing countries promote Fair Trade because it enables small and marginalized producers in their countries to live and work in dignity. Fair Trade is increasingly on the agenda of policy makers throughout the world.

⁴⁵ A. Tallontire, Challenges facing Fair Trade: which way now? Paper for the DSA conference 2001, Different Poverties, Different Policies, IDPM, Manchester 10-12 September 2001, Natural Resources and Ethical Trade programme, NRI, <http://www.greenbeanery.ca/bean/documents/conf01tallontire.doc>

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<http://www.2can-consult.com/afn>

Altereco

www.altereco.com

Befair

<http://www.befair.be/>

Canadian Student Fair Trade Network

<http://www.csftn-recce.org/english/index.html>

Catholic Relief Services

<http://www.crsfairtrade.org/index.cfm>

Conacado, Dominican Republic

<http://conacado.com.do/>

Conservation Agriculture Network (CAN)

<http://www.rainforest-alliance.org/index.cfm>

Consumers International - CI

<http://www.consumersinternational.org/>

Co-op America

www.coopamerica.org

Cooperation for Fair Trade in Africa - COFTA

<http://www.cofta.org/en/index.asp>

Coordinadora Latinoamericana y del Caribe de Comercio Justo - Latin American and Caribbean Network of Small Fair Trade Producers (CLAC)

<http://www.claccomerciojusto.org/english/profile/aboutus.html>

De Evenaar, the Netherlands

www.de-evenaar.nl

Divine Chocolate Ltd (UK), United Kingdom

www.divinechocolate.com

EcoLogic Finance

www.ecologicfinance.org

EL PUENTE, Germany

www.el-puente.de

Equi'Sol, France

www.equisol.org

European Fair Trade Association - EFTA

<http://www.european-fair-trade-association.org/>

Fair Trade Action Network

<http://www.fairtradeaction.net/>

Fair Trade Advocacy Office

<http://www.fairtrade-advocacy.org/>

Fair Trade Federation

www.fairtradefederation.org

Fair Trade Foundation
<http://www.fairtrade.org.uk/>

Fair Trade Institute – Documents Gateway
<http://www.fairtrade-institute.org/database/publications.php?lang=en>

Fairtrade Labelling Organizations (FLO)
<http://www.fairtrade.net/>

Fair Trade Original, the Netherlands
www.fairtrade.nl

Fair Trade Resource Network
www.fairtraderesource.org

FINE
<http://www.fairtrade-advocacy.org/>

FLO-CERT
<http://www.flo-cert.net>

Forest Stewardship Council (FSC)
<http://www.fscus.org/>

Global Exchange
www.globalexchange.org

International Fair Trade Association (IFAT)
<http://www.ifat.org/>

International Federation of Organic Agriculture Movements (IFOAM)
<http://www.ifoam.org/>

International Organic Accreditation Service (IOAS)
<http://www.ioas.org/>

International Social and Environmental Accreditation and Labelling (ISEAL)
<http://www.isealalliance.org/>

Lutheran World Relief
www.lwr.org/fairtrade/index.asp

Marine Stewardship Council (MSC)
<http://www.msc.org/>

Max Havelaar Foundation
<http://www.maxhavelaar.nl/pages/template.asp?rID=107>

Network European Worldshops - NEWS!
<http://www.worldshops.org/>

Oikocredit – Fair finance, Fair trade
<http://www.oikocredit.org/fairtrade/en/>

Organic Consumers Association
www.organicconsumers.org

Oxfam/Make Trade Fair
<http://www.maketradefair.org/>

People Tree, United Kingdom
www.peopletree.co.uk

Plate-Forme pour le Commerce Équitable
<http://www.commerceequitable.org/>

Savanna Farmers Marketing Company Limited, Ghana
www.acdep.org

Social Accountability International (SAI)
<http://www.sa-intl.org/>

Ten Thousand Villages, Canada
www.tenthousandvillages.ca

United Students for Fair Trade
www.usft.org

Weltladen-Dachverband, Germany
www.weltladen.de

GLOSSARY ⁴⁷

Certification Committee - Certification Committee (CC) is a body which controls and advises on the quality of certification decisions, policies and procedures of a certification body.

Certification of Trade - Certification of Trade (Or Trade transactions): the process by which a certification body determines operator's compliance with Fairtrade Standards for traders and related certification policies and contracts.

Certification system - Certification System is a system with its own rules, procedures and management for carrying out certification.

Certification Unit - Certification Unit (CU) is the unit which evaluates operator's compliance with Fairtrade Standards and certification policies and contracts. There are two Certification Units in FLO-CERT: Producer Certification and Trade Certification.

Chain of Custody - Chain of Custody are the steps from the start of the primary production, including the growing, handling, processing and retailing up to buying by the consumer.

Child - Child means any person less than 15 years of age, unless otherwise defined by local legislation.

Child Labour - Child labour means any work carried out by a child.

Code of Practice/Conduct - Code of practice/conduct means, in the context of ethical trading, a set of rules concerning labour practices adopted by a company and meant to apply internationally, and, in particular, to the labour practices of its suppliers and subcontractors.

Collective Bargaining Agreement (CBA) - Collective Bargaining Agreement (CBA) means the right for workers' organisations to negotiate with employers or employers' organisations on behalf of their members to determine working conditions and terms of employment.

Conformity - Conformity is the fulfilment of a requirement.

Consensus - Consensus is an agreement supported by all parties concerned without using the rule of majority, but by taking into account the views of all parties concerned and by reconciliation of any conflicting arguments.

Constitution - Constitution is a legally binding document that defines how the power and authority are distributed and limited within an organisation or company.

Continuous Improvement - Continuous Improvement is, as a management concept, a system of constant or ongoing incremental improvements to a process or product based on constant or ongoing examination and evaluation of the process or product.

Contract Production - Contract Production (CP) means unorganised farmers who are contracted for performing specific production tasks to sell their products to a service provider. In the Fairtrade context, CP also means the partnership between the promoting body and the Fairtrade Producers.

Conventional Product - Conventional product is any product not produced or traded according to the requirements of Fairtrade Standards.

Corporate Social Responsibility (CSR) - Corporate Social Responsibility (CSR) is a concept of business ethics based on the idea that companies have stakeholders who are broadly defined as anyone or a group affected by the activities of the company. The idea of CSR is that a company should be accountable to its stakeholders. For this reason, the subjects of CSR focus on how companies should identify and "engage" stakeholders and how they should determine, measure and report the impact of their activities on others.

Corrective Action - Corrective Actions are measures taken to address existing non-conformance or to prevent recurrence of non-conformance.

⁴⁷ Source: FLO-CERT, <http://www.flo-cert.net/flo-cert/main.php?id=20> and http://www.fairtrade.net/uploads/media/Explan_Doc_Fairtrade_Premium_and_Joint_Body_Dec_2007_EN.pdf

Cost of Sustainable Production (COSP) - Cost of Sustainable Production (COSP) are the costs related to sustainably producing a product in a social, economic and environmental way in conformity with Fairtrade Standards.

Criteria Fairtrade Standards - Fairtrade Standards (Fairtrade Generic Standards and Fairtrade Product-specific Standards) are the set of requirements that producers and traders have to meet to be certified as Fairtrade Producers or Traders.

Distributor - Distributor means any operator or entity that purchases certified products for sale and does not transform that product in any way.

Draft Standards - Draft Standard is a proposed standard that is available generally for comment, voting or approval.

Empowerment - Empowerment means increased opportunity for women and men to control their life. It gives power to make decisions, to have your voice heard, and/or put things on the agenda.

Evaluation - Evaluation means interpreting and analysing the monitoring data against requirements of Fairtrade Standards.

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, marginalized producers and workers – especially in the South. Fair Trade organisations, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade. (FINE's definition). Fair Trade's rules guarantee: a living wage in the local context, offering employees opportunities for advancement, providing equal opportunities for all people, particularly the most disadvantaged, engaging in environmentally sustainable practices, being open to public accountability, building long-term trade relationships, providing healthy and safe working conditions within the local context, providing financial and technical assistance to producers whenever possible.

Fairtrade - Fairtrade (FT) means all or any part of the activities, standards and certification systems (in particular products or operators) of FLO e.V., FLO-CERT and its Labelling Initiatives.

Fairtrade benefits - Fairtrade benefits are those means created through the Fairtrade system that allow small farmers and workers to improve their standard of living.

Fairtrade benefits include amongst others facilitated market access, long-term trade relationships, better trading conditions and, in most cases, a Fairtrade minimum price for the product as well as a Fairtrade premium.

Fairtrade Bodies - Fairtrade Bodies is a term referring to any unit, organisation or decision-making body in the Fairtrade system; comprising, for example, the FLO Board, the Standards Committee, PBU, FLO CERT, LIs.

Fairtrade Certification - Fairtrade Certification is the process by which a certification body determines operator's compliance with relevant Fairtrade Standards and certification policies and contracts.

Fairtrade Certified - Fairtrade Certified means that a determination against Fairtrade Standards has been made and that an operator/a product is in compliance with Fairtrade Standards.

Fairtrade Certified Producer - Fairtrade Certified Producer is a Fairtrade Producer which has been certified against the Fairtrade Standards relevant to that organisation.

Fairtrade Certified Trader - Fairtrade Certified Trader is an exporter, importer, manufacturer or processor which has been certified against the Fairtrade Standards relevant to that organisation.

Fairtrade Explanatory Documents - Fairtrade explanatory documents are documents which further detail how the Fairtrade Standards need to be interpreted and put into practice.

Fairtrade Generic Product Standards - Fairtrade Generic Product Standards are the set of requirements that producers or traders must meet irrespective of the product produced or traded to be certified as Fairtrade Producers or Traders.

Fairtrade Generic Standards - Fairtrade Generic Standards are the set of requirements that producers or traders of any Fairtrade Products have to meet to be certified as Fairtrade Producers or Traders.

Fairtrade Import - Fairtrade Import is the first purchase of a Fairtrade Product from the original producing country.

Fairtrade Label - Fairtrade Label means any product certification label owned by FLO or one or more of its members that is used to denote compliance with Fairtrade Standards..

Fairtrade Labelling - Fairtrade Labelling means FLO e.V., FLO-CERT and all Labelling Initiatives.

Fairtrade Standards - Fairtrade Standards (Fairtrade Generic Standards and Fairtrade Product-specific Standards) are the set of requirements that producers and traders have to meet to be certified as Fairtrade Producers or Traders.

Fairtrade Premium - this is the main economic benefit of Fairtrade for workers, their families and the community. The Fairtrade Premium is an additional amount of money paid to Fairtrade organizations by the buyers of Fairtrade products. The Fairtrade Premium is paid in addition to the product price which is paid to the company (either the FLO minimum price or the market price, whichever is higher). The level of the Fairtrade Premium is set by FLO Standards Unit (SU) for each specific product and is available in the FLO product standards (see http://www.fairtrade.net/product_standards.html for more details). The amount of Fairtrade Premium that a Fairtrade organization receives will depend on the quantity of Fairtrade products that have been sold. The Fairtrade Premium is not paid to the company, but instead is paid directly into a separate bank account, managed by the Joint Body. The Fairtrade Premium is paid separately from payments for the product and the company does not own the Fairtrade Premium. The Fairtrade Premium is intended to be used for the benefit of the workers, their families and their communities, within the framework of Fairtrade Premium projects. The Fairtrade Premium may not be used for expenditure for which the company is legally responsible, nor may it be used to support the company's running costs or costs of compliance with Fairtrade standards.

Fairtrade Producer - Fairtrade Producer means any entity located in a producing country that has been certified under the Generic Standards for Small Farmers' Organizations, Generic Standards for Hired Labour Situations or Contract Production standards of FLO.

FLO-CERT - FLO CERT/FLO-CERT GmbH is the wholly-owned subsidiary of FLO (including any body partly or wholly owned by FLO-CERT/FLO-CERT GmbH or contracted to provide services to it) responsible for the Fairtrade inspection and/or certification of producers and traders.

Forced Labour - Forced Labour means work or service undertaken by a person under duress or menace of penalty in circumstances where the person has not offered him/herself voluntarily.

Freedom of association - Freedom of association is the right of all workers to join or form a trade union of their own choosing and carry out trade union activities without interference from their employer or from public authorities.

Hired Labour - Hired Labour (HL) means employed workers who work for somebody else, for example a commercial farm or a factory.

International Fairtrade Certification Mark - International Fairtrade Certification Mark (ICM) is a trademark owned by FLO and used by all Labelling Initiatives except for Max Havelaar Switzerland, Transfair Canada and Transfair USA. The mark identifies the related product as being Fairtrade Certified.

International Labour Convention - International Labour Convention has the force of international law, and states that ratify them are required to incorporate the principles in national law and to ensure the implementation of the law. In addition, all ILO member states, regardless of ratification, are obliged to respect, promote and realise the principles contained in the core ILO Conventions, which address freedom of association and the right to collective bargaining, forced labour, discrimination and equal remuneration.

International Labour Organisation - International Labour Organisation (ILO) is the UN specialised agency which seeks the promotion of social justice and internationally recognised human and labour rights. It formulates international labour standards in the form of Conventions and Recommendations setting minimum standards of basic labour rights.

Joint Body - To ensure that the Fairtrade Premium is managed for the benefit of the workers and their families and communities, the FLO Generic Standards for Hired Labour require that the Fairtrade Premium is owned by a separate legal body representing all the workers. The Joint Body is an elected group of worker representatives and management representatives who are responsible for 'jointly' managing, investing and spending the Fairtrade Premium on behalf of this legal body. In other words, the workers and management of the company work together to achieve improvements in the workers' lives using the Fairtrade Premium. The Joint Body has two main responsibilities: firstly to inform and consult all the workers of the company about the Fairtrade standards and the Fairtrade Premium and its use; and secondly to manage and invest the Fairtrade Premium transparently and responsibly.

Labelling - Labelling means any words, particulars, trademarks, brand names, pictorial matter or symbol placed on any packaging, document, notice, label, ring or collar accompanying or referring to a product referred to as a certified product.

Labelling Initiative – Labelling Initiatives are national organizations which license companies to use the FAIRTRADE Mark on consumer products and promote Fairtrade in their countries. Labelling Initiative shall mean full member organisations of FLO with an exclusive, defined geographical territory whose main purpose is to licence a Fairtrade label and which are responsible for local licensing of a Fairtrade label as well as marketing, promoting sales of Fairtrade Products and education in respect of Fairtrade.

Liaison Officer - Liaison Officer (LO) is a consultant working for FLO e.V. and carrying out information and support functions with Fairtrade Producers. Liaison officers assist Fairtrade Producers in understanding and meeting requirements (certification) and are involved in supporting market access and development.

License fee - License fee is the fee which Licensees pay to a Labelling Initiative for the use of the International Fairtrade Certification Mark on a Fairtrade Product.

Licensee - Licensee is an organisation licensed by a Labelling Initiative to use a Fairtrade label on Fairtrade Products.

Minimum Requirements - Minimum Requirements are Fairtrade Standards requirements which all producers must meet from the moment they join Fairtrade.

Monitoring - Monitoring means measuring a set of indicators that are tracked over time to identify trends

Producer - Grower or farmer of Certified Fairtrade products

Producer Business Unit - Producer Business Unit (PBU) is the FLO business unit that advises producers on compliance with Fairtrade Standards and assists in market access and development.

Producer certification - Producer Certification (PC) is the certification of producers against the Fairtrade Standards relevant to them.

Producer Executive Body - Producer Executive Body (PEB) in the context of contract production comprises elected representatives of the individual contract production producers. The PEB is the intermediary between the individual producers and the promoting body. It also represents the producers' interest versus the buyers of the produce and ensures that the Fairtrade Premium is handled properly.

Progress Requirements - For companies: these are requirements against which certified companies must demonstrate performance or efforts towards long-term improvement and which should be developed according to a plan agreed by the management of the company, some within a specified period of time.
For Small Farmers: these are requirements on which certified producers must show permanent improvement.

Promoting Body - Promoting Body (PB) in the context of contract production can be any legally established intermediary organisation, either a trader (exporter/trader) or non-trader (NGO or private) forming a partnership with the producers it contracts with. The promoting body enables the individual producer to gain autonomy and to organise itself. It is responsible for the current management of the Fairtrade Premium to individual producers.

Requirement - Requirement is a provision that conveys criteria to be fulfilled.

Review - Review is an activity of checking a document or process to determine whether it is to be reaffirmed, changed or withdrawn.

Revision - Revision is an introduction of all necessary changes to the substance and presentation of a document or process.

Small Farmers - Small Farmers (SF) are producers who are not structurally dependent on permanent hired labour and who manage their production activity mainly with own and family labour.

Small farmers Organisation - Small Farmer Organisation (SFO) is a group primarily consisting of organised small farmers who work for themselves, for example a co-operative or association.

Social Responsibility - Social responsibility means actions of an organisation to take responsibility for the impacts of its activities on society and the environment, where these actions are consistent with the interests of society and sustainable development; are based on ethical behaviour, compliance with applicable law and intergovernmental instruments and are integrated into the ongoing activities of an organisation.

Socio-economic development - FLO considers socio-economic development to be a process resulting in changes which improve the capacity of a community to fulfill its aspirations. The aim is to empower individuals and groups with the skills they need to identify their needs and priorities and to develop plans and projects to address these. The Fairtrade Premium is intended to be used both for the empowerment of workers, and also for investing in plans and projects for social and economic improvement in the wider community. The Fairtrade Premium cannot solve all the social and economic problems and needs of the workers and the community. But if it is invested wisely and builds the capacity of workers to change their own lives, the Fairtrade Premium can have long-lasting benefits.

Standards - Standard is a set of defined criteria giving the requirements which must be attained. A standard provides, for common and repeated use, rules, guidelines or characteristics for products or related processes and production methods. It may also include terminology, symbols, packaging, marking or labelling requirements. Standard requirements are meant to comply with and are based on stated objectives.

Standards Body - Standards Body is a recognised body at national, regional or international level that has as a principal function, by virtue of its statutes, the preparation, approval or adoption of standards that are made available to the public.

Standards Committee - Standards Committee (SC) is a committee created by the FLO Board and made up of representatives of the stakeholders for Fairtrade Standards. It acts as a decision maker and provides guidance in the development of Fairtrade Standards.

Standards Unit - Standards Unit (SU) is the FLO business unit that manages the development of Fairtrade Standards.

Sustainability - Sustainability means the capacity of economic, social, institutional and environmental aspects of human activity, and the non-human environment, to continue into the long-term.

Traceability - Traceability is the ability to trace the history, application and/or location of a product.

Trade Certification - Trade Certification (TC) is the certification of traders against the Fairtrade Standards relevant to them

Trader - Buyer, seller, manufacturer, transformer of a Certified Fairtrade product

Transformer - Transformer means any operator or entity that alters the characteristics of a Fairtrade Product through the use of physical or chemical or similar processes.

Verification - Verification is the confirmation through the provision of evidence that specified requirements have been fulfilled. Verification can be first party/internal (self assessment), second party (by an entity of the supply chain leading to approval) or third party/external (by an independent party leading to certification).

Worker - Worker refers to all workers contracted by a company or producer organisation including migrant, temporary, seasonal, sub-contracted and permanent workers. It is not limited to field workers but includes all other hired labour personnel, e.g. employees working in the administration. The term, however, is limited to personnel which is entitled to join unions and therefore normally excludes middle and senior management.

Workers Committee - Workers Committee (WC) is a committee of representatives of workers of a company dealing with workers' rights and working conditions.

World Shop - A World Shop is defined as:

- A shop that endorses, through its own mission or values statements, publicity material and actions, the definition and principles of Fair Trade.
- The primary purpose for existing as a shop is to promote Fair Trade. Fairly traded products therefore take up the most important share of the shop's stock.
- The shop reinvests the profits from its sale of products into the Fair Trade system.
- The shop informs the public about its aims, the origin of the products, the producers and about world trade. It supports campaigns to improve the situation of producers, as well as to influence national and international and international policies.