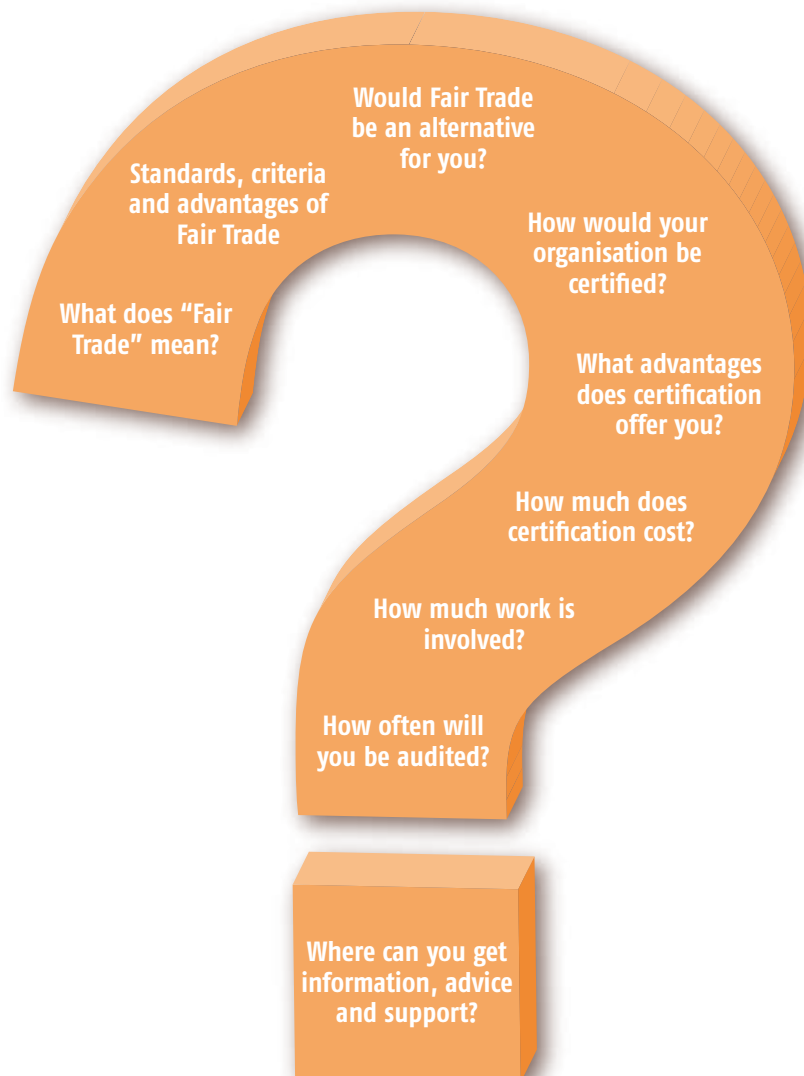


## Fair Trade – an option for us?

### Information on becoming involved in Fair Trade



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# Introduction

What is understood by the term “Fair Trade”? How can an organisation become a Fair Trade partner? What criteria must be fulfilled by producers from developing countries in order to be able to take part in Fair Trade? What do traders have to take into account? How does a certification unwind on the ground? How much does it cost for the producer organisations? For whom is the certification procedure worthwhile?

This brochure was commissioned by Evangelischer Entwicklungsdienst – EED (Church Development Service) and Brot für die Welt (Bread for the World) with a view to giving partners and producer organisations an overview of Fair Trade. It is mainly concerned with presenting the principles and rules of Fair Trade and helping you to decide whether it is worthwhile seeking certification in order to be able to market your products through Fair Trade in future. There are many other certifications and control systems for Fair Trade and organic farming worldwide. In this publication, we have limited ourselves to the most prominent of these. At the end of the brochure, you can find links and addresses where you can obtain more detailed and up-to-date information on certification standards and the marketing possibilities associated with Fair Trade.

## What exactly is “Fair Trade”?

Chocolate, coffee, textiles, cotton. These are just a few of the products that are processed in industrial countries and frequently sold at high prices. The raw materials for these goods are generally sourced from developing countries. In spite of the high selling price in Europe, the USA or Australia, producers in developing countries generally receive low prices for the raw materials used in production. For many producers in developing countries, this revenue is hardly enough to cover the cost of production and their everyday needs.

The Fair Trade movement, which emerged in Europe in the 1960s, would like to use fairer trade practices to ...

- ... Improve the situation of producer families in Africa, Asia and Latin America
- ... Dismantle unfair global trade structures in the long term,
- ... Contribute to poverty reduction.

Fair Trade is built on the principles of transparency and partnership. Its aim is to safeguard the social rights of disadvantaged producers and to contribute to increasing economic justice. Given that individual farmers, artisans and smallholder cooperatives have no leverage on the global market, Fair Trade encourages small producers to join together to form larger cooperatives and associations. Together, they can attain a production volume that allows them to obtain a better price and, for example, to negotiate directly with importers. Fair Trade also involves strengthening the political participation of producers and encouraging sustainable development and gender equity.



## Where and how are Fair Trade goods sold?

The market for Fair Trade products in Europe, the USA, Canada and Australia – but also in South Africa and Mexico – is still a niche market. However, the Fair Trade market has grown considerably in recent years. At the same time, the range of products offered to consumers has become more diverse. According to FLO, goods sold internationally with the Fairtrade label were valued at almost €4 billion in 2009. The highest sales were obtained with flowers, bananas, sugar and coffee. In the first few decades, Fair Trade goods were sold mostly in World Shops and other stores specialising in the sale of such products. At that time, these goods were bought by a small group of conscious consumers who were willing to pay more for Fair Trade products.

Today, a growing proportion of Fair Trade products are sold by large supermarket chains, in many cases accounting for only a small proportion of their overall product range. To enable consumers to differentiate between Fair Trade products and conventionally traded products, the former feature the special “Fairtrade” mark. This label indicates that both the producers of the goods and the traders have complied with the agreed rules and principles of Fair Trade.



### Priority for domestic markets

In many regions, marketing opportunities and initiatives exist at a local and/or national level. It is often worthwhile joining these programmes. However, even if Fair Trade promises attractive prices, gaining a foothold in the local market is important for sustainability.

## Which organisations provide Fair Trade certification?

In industrial countries, many different associations, organisations and companies are involved in Fair Trade. They have come together in several umbrella organisations and developed their own rules and standards. A number of different certifications exist to ensure that these standards are complied with by traders and producers. This publication presents the two most important certifications that have established themselves in the trade and – in the case of the Fairtrade mark – among end consumers, and which offer producer associations good opportunities to market their products at better prices and trading conditions. As the procedures cannot be described in detail here, we would advise you to seek out the latest information if you are interested in taking part.

# 1. Fairtrade International (FLO)

Fairtrade International, FLO (formerly: Fairtrade Labelling Organisations International), headquartered in Bonn, Germany, is an umbrella association consisting of various international organisations that are responsible for issuing Fairtrade labels in their respective countries. As a non-governmental organisation, FLO does not sell goods, but works together with producer organisation representatives to develop standards according to which all players in the “Fairtrade system” (producers and exporters in the South, traders in the North) are to be certified. FLO is frequently referred to simply as FAIR-TRADE, which is what is written on the internationally valid label on the packaging of the products in question.



Fairtrade mark

At the time of writing (January 2011), Fairtrade product standards exist for the following products:

- Bananas
- Cocoa
- Coffee
- Cotton
- Dried fruit
- Fresh fruit
- Fresh vegetables
- Fruit juices
- Flowers
- Herbs and spices
- Honey
- Nuts
- Oilseeds
- Quinoa
- Rice
- Soybeans
- Cane sugar
- Tea
- Wood
- Grapes
- etc.

Over 800 small farmer organisations and plantations worldwide work according to Fairtrade standards. This means that around 1.4 million small farmers and workers in some 60 countries benefit from Fairtrade.

## What role does FLO-CERT play?

The independent certification company FLO-CERT is responsible for Fairtrade certification. FLO-CERT verifies that the rules developed by FLO are complied with by producers and traders. To this end, FLO-CERT auditors visit cooperatives or exporters on location at regular intervals to verify whether, for example, they are complying with Fairtrade standards (rules).

At present, producer groups and traders in over 70 countries have a Fairtrade certificate. With this certificate, producer organisations can sell their products to Fairtrade-certified traders and secure a better price.



## Is a Fairtrade certification possible in your case?

The standards used make a fundamental distinction between small producer organisations and companies that own plantations with employees. A number of countries have special rules that FLO describes as “contract production”. In this case, a company from the North can source products directly from individual farmers who are not organised in cooperatives. As a rule, however, you must fulfil the following conditions in order to participate in a Fairtrade certification as a cooperative, association or company:

- You are legally registered as a producer organisation in your respective country.
- A Fairtrade product standard exists for your product (see above).
- There is a demand for the product that you grow or manufacture.

In addition, there are a number of further criteria that vary according to the type of organisation in question.

## What advantages does Fairtrade certification offer you?

The “Fairtrade” mark is the best-known label of its kind in the world.

- “Fairtrade” gives you access to Northern markets at better conditions. This means that, if a Northern company wishes to have the Fairtrade mark for a product (e.g. chocolate), this product must be composed of raw materials (e.g. cocoa and sugar) produced by “Fairtrade”-certified cooperatives in the South.
- “Fairtrade”-certified producer groups receive guaranteed minimum prices for most of their certified products; generally speaking, these are higher than the world market price.
- “Fairtrade”-certified producer organisations receive what is called a “Fairtrade premium” for their products. This premium is paid directly into a separate premium account owned by the producer organisation and has to be used for joint social projects, training, etc.



“Fairtrade” certification entails considerable costs and additional work. In return, however, it does offer potentially better sales opportunities. By contacting FLO, you can determine what opportunities the Fair Trade market currently offers for your products.

## How much does a Fairtrade-certification cost?

The costs for a producer association vary according to the type and size of the organisation and the nature of its product range. The following example shows a first-grade organisation which has a membership consisting entirely of small farmers, which does not employ any workers, does not own a processing facility and only wishes to certify one product.

Further costs (e.g. for re-certification) must be queried individually.

**Costs for Fairtrade certification**

	No. of members	Costs*	One-time initial contribution	Total costs
<b>1st year</b>	Fewer than 50	€1,400.00	€500	€1,900.00
	50–100	€2,000.00	€500	€2,500.00
	101–250	€2,200.00	€500	€2,700.00
	251–500	€2,400.00	€500	€2,900.00
	501–1,000	€3,000.00	€500	€3,500.00
	More than 1,000	€3,400.00	€500	€3,900.00
<b>Each additional year</b>	Fewer than 50	€1,137.50	0	€1,137.50
	50–100	€1,575.00	0	€1,575.00
	101–250	€1,750.00	0	€1,750.00
	251–500	€1,925.00	0	€1,925.00
	501–1,000	€2,362.50	0	€2,362.50
	More than 1,000	€2,712.50	0	€2,712.50

\* These prices were set on 1 January 2007. As of 1 February 2010, costs were increased by 2% and the one-time contribution by 5%. The current price list can be viewed online at <http://www.flo-cert.net/flo-cert/main.php?id=29>

Sources: FLO-CERT (January 2011)

## How often are audits performed and how much work is involved?

The audits (inspections by external persons) take place once a year at small farmer organisations. The amount of work involved depends on the efficiency of your organisation's administration and accounting processes. However, Fairtrade audits are generally time-consuming. It is not uncommon for an audit to take 2 to 4 weeks. In some cases, additional staff must be taken on for this purpose. In the event that an audit should identify a shortcoming that necessitates a corrective measure, you should be aware that the follow-up audit will result in additional work and costs.



## Do external financing options exist?

FLO manages a Producer Certification Fund which provides financial support to small groups. Depending on the type and size of the producer organisation, applications can be made for a maximum of three-quarters of the certification costs to be covered by the producer fund.

Further information on the Fairtrade system is available from FLO ([www.fairtrade.net](http://www.fairtrade.net)).

## 2. World Fair Trade Organization (WFTO)

The WFTO is the international umbrella organisation for Fair Trade organisations in some 70 countries. Most of the 350 or so members are producer organisations and importers. WFTO members are 100% committed to Fair Trade. Unlike FLO product certification, it is the organisations themselves that are “certified” in this case. At the same time, many WFTO member organisations trade with products bearing the FLO Fairtrade label. The WFTO and FLO officially recognise each other and have agreed upon a joint Charter of Fair Trade Principles.



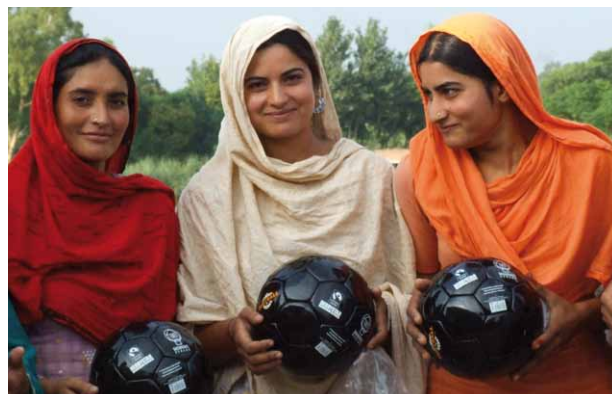
### Aim of the organisation

The WFTO aims to improve market opportunities for disadvantaged producers. All WFTO members must comply with the following 10 Fair Trade Standards:

1. Creating opportunities for economically disadvantaged producers
2. Transparency and accountability
3. Socially, ideologically and economically responsible trading practices
4. Payment of a fair price
5. No child labour or forced labour
6. Non-discrimination, gender equity and freedom of association
7. Better working conditions
8. Capacity building (developing the skills and capabilities of organisation members)
9. Promotion of Fair Trade
10. Protecting the environment

### Do you belong to the target group?

The WFTO only accepts producer organisations as members that are already trading on the domestic market or abroad. In addition, 50% of their members' income must come from trading with their product. The WFTO logo can be used to sell both standard agricultural products and craftwork products.



### How does the WFTO carry out its audits?

The WFTO audit system is based on a self-assessment by the groups which must be renewed every two years. Guidelines, instructions and a questionnaire are provided for the purposes of monitoring. In addition to the report, the WFTO requests that proof of payment to your members, annual reports and other supporting documents be provided. The commission decides whether your self-assessment complies with WFTO standards.

## What advantages does this certification offer?

The WFTO has developed a logo for Fair Trade organisations. As this is not a product label, the logo cannot be used on product packaging. However, after two years of membership, you are entitled to use the logo on your letterhead as a Fair Trade organisation, thereby demonstrating to other certified WFTO traders that you comply with WFTO standards. However, you should bear in mind that you are only entitled to use the WFTO logo for your organisation after at least two years of WFTO membership and after the first monitoring.

Unlike FLO, there is no fixed minimum price. You negotiate the prices for your product with customers and/or traders. If the trader in question is WFTO-certified, the price must be higher than the corresponding market price. You have the option of negotiating the payment of a premium with the WFTO-certified customer which you can then invest in social projects after a democratic decision-making process.

## How much does it cost to become a member of the WFTO?

WFTO certification is less expensive than Fairtrade certification, but the number of potential buyers is smaller. The annual membership contribution and the monitoring contribution are both based on your organisation's annual turnover.

Costs per year	
Annual turnover	Monitoring contribution
Less than €100,000	€25
€100,001 – €500,000	€50
€500,001 – €1,000,000	€100
€1,000,001 – €4,000,000	€350
€4,000,001 – €8,000,000	€600
€8,000,001 – €16,000,000	€800
> €16,000,000	€1,000
Annual turnover	Membership contribution
Less than €100,000	€250
€100,000 – €1,000,000	€0.0025 x annual turnover
More than €1,000,000	€2,500 + €200 for each additional million in annual turnover

Sources: WFTO (October 2010) – up-to-date versions at [http://www.wfto.com/index.php?option=com\\_content&task=view&id=155&Itemid=187](http://www.wfto.com/index.php?option=com_content&task=view&id=155&Itemid=187)

In the event that an assessment by an external organisation is required following the rejection of a self-assessment by the WFTO or as a result of specific complaints, additional costs should be expected. These are based on standard consulting fees in your country. Between 5% and 10% of WFTO members are monitored every year by independent auditors.

## Organic farming

Fair Trade promotes environmentally friendly production. In the case of FLO, for instance, the list of criteria includes specifications regarding soil fertility, water resources and slash-and-burn. There is also a list of pesticides and synthetic fertilisers that may not be used under any circumstances; similarly, genetically modified seeds or plants are not permitted.

If you wish to switch to organic farming, you must wait for a three-year period before you can be certified as such. In this time, the income lost owing to the fall in productivity (in most cases) cannot yet be compensated for by the higher prices attainable for organic products. However, minimum prices and Fairtrade premiums can help to tide you over during this conversion period. In addition to the Fair Trade premium, the Fair Trade system also includes an extra price for certified organic products. In order to keep the costs for the various certifications as low as possible, FLO works to ensure that organic and social labelling initiatives recognise one another.

## What basic conditions must you fulfil in order to be Fair Trade-certified?

The conditions that must be fulfilled in order to obtain a Fair Trade certificate vary greatly between the different organisations and certification types. However, the conditions listed below apply for many certificates. Your organisation should comply with these at all times. Failure to comply with these means, for example, that you will not be certified at all.

The basic conditions at FLO (for example) for participating in Fair Trade are that:

- Your organisation is a democratically organised group of producers in which all decisions are made and implemented transparently.
- All of your products come exclusively from your own members, without exception.
- All financial transactions are transparent and are accessible to members at any time, e.g. annual reports.
- The members of your organisation and the organisation itself do not employ any children aged 15 or younger.
- No form of forced labour exists in your organisation.
- If you employ people, you must guarantee that the working environment is safe and healthy. Your organisation does not discriminate against women or against members of other faiths or ethnic groups.
- You are receptive to environmentally friendly agriculture without the use of chemicals, pesticides and synthetic fertilisers and have an influence on the chemical products used on the fields by members of your organisation.



With regard to the import and export of goods, there are legal requirements in exporting and importing countries that must be adhered to. For example, an export licence is required in many developing countries. In importing countries, on the other hand, there are frequently strict regulations regarding product quality (e.g. proof of microbiological analyses, adherence to limit values for pesticide residue) and safety requirements in the case of craftwork products (for example colour fastness and absence of nickel, PCP and azo dyes). It is necessary for the products to have a consistently high level of quality: a low or fluctuating production volume or varying levels of quality are not conducive to participating in Fair Trade.

## Fair Trade without certification?

Sometimes it is not possible to obtain Fair Trade certification for specific goods. For example, this might be because criteria have yet to be developed for certain products or because your organisation has not yet been certified or does not intend to become certified. However, if your organisation meets key criteria for Fair Trade, some products can be marketed as Fair Trade nonetheless. Fair Trade retailers such as GEPA in Germany, EZA in Austria, Claro in Switzerland and Alter Eco in France have their own procedures with regard to sourcing from trading partners and establishing trading arrangements with producers. If you have a product to offer, please contact these Fair Trade companies directly.

## Where is support available for producers?

There are a number of sources from which interested producer groups can obtain support and expert advice.

- FLO has Liaison Officers in the production countries who provide information about the exact requirements for certification. Here, you can also receive assistance in looking for business partners who might be interested in your products.
- To a certain extent, direct importers such as GEPA also offer their trading partners assistance in marketing and improving their products.
- International development cooperation organisations and NGOs see Fair Trade as an instrument for reducing poverty and are therefore willing to answer questions and provide support with regard to marketing and capacity building.
- Ministries, embassies and other public institutions in Southern countries are often interested in further developing exports and in some cases, offer assistance to producer groups.



## Fair Trade: Initial steps you should take

1. Verify whether your organisation and its statutes can be recognised by Fair Trade companies or FLO/WFTO.
2. Contact certification offices and/or trading companies to determine whether any potential for selling your product(s) exists in Europe or the USA. It may make more sense to market your product(s) locally/regionally.
3. Ensure that your organisation is stable enough and that it is possible to communicate regularly with traders and certification offices/bodies.
4. Evaluate whether the members of your organisation are willing to help perform the additional work (e.g. for complying with standards) and to assume possible extra costs (e.g. for certification).
5. Determine the quantity and quality in which your product(s) will be offered. Small volumes or poor quality products are not suitable for export.
6. Calculate the price at which your products can be offered to dealers (Free On Board prices)
7. Determine which activities your producer organisation can perform itself: production, processing, packaging, export handling, customs, etc.
8. Clarify where your organisation can obtain the services required for export (locally) and the costs that this would entail.



## Where can I obtain further information?

### **Fairtrade International – FLO and FLO-CERT**

Website: [www.fairtrade.net](http://www.fairtrade.net) (FLO), [www.flo-cert.net](http://www.flo-cert.net) (FLO-CERT)

Telephone: +49-228-949230 (FLO), +49-228-24930 (FLO-CERT)

E-mail: [info@fairtrade.net](mailto:info@fairtrade.net) (FLO), [info@flo-cert.net](mailto:info@flo-cert.net) (FLO-CERT)

### **World Fair Trade Organization – WFTO**

Website: [www.wfto.com](http://www.wfto.com)

Telephone: +31-345 53 59 14

E-mail: [info@wfto.com](mailto:info@wfto.com)

### **GEPA – The Fair Trade Company**

Website: [www.gepa.org](http://www.gepa.org)

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E-mail: [info@gepa.org](mailto:info@gepa.org)



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