

Helpful background information on the Fairtrade process:

For a product to display the FAIRTRADE Mark it must meet the international Fairtrade standards.

[Fairtrade Labelling Organisations International](#) (FLO) is the international organisation responsible for setting and maintaining the Fairtrade standards that apply to producers and trading relationships. FLO is owned jointly by [20 national labelling initiatives](#) covering 22 countries and [producer networks](#) representing certified producer organisations across Asia, Africa, Latin America and the Caribbean. Whilst FLO sets the standards, and works with producers to help them meet them, a separate international certification company ([FLO-Cert](#)) regularly inspects and certifies producers against these standards, and audits the flow of goods between producers and importers in the countries where the International Fairtrade Certification Mark is available in the marketplace.

What are the Fairtrade standards? Fairtrade standards are not simply a set of minimum standards for socially responsible production and trade. The Fairtrade standards go further in seeking to support the development of disadvantaged and marginalized small-scale farmers and plantation workers. Fairtrade standards relate to three areas of sustainable development: social development, economic development and environmental development.

The **Fairtrade premium** is a sum of money paid on top of the agreed Fairtrade price for investment in social, environmental or economic development projects, decided upon democratically by producers within the farmers' organisation or by workers on a plantation. The premium is fixed by the FLO Standards Unit in the same way as the minimum price and remains the same, even if the producer is paid more than the minimum price for the product. The premium fund is typically invested in education and healthcare, farm improvements to increase yield and quality, or processing facilities to increase income.

The **Fairtrade minimum price** is the minimum price that a buyer of Fairtrade products has to pay to a Producer Organisation for their product. It is not a fixed price, but should be seen as the lowest possible starting point for price negotiations between producer and purchaser. It is set at a level which ensures that Producer Organisations receive a price which covers the cost of sustainable production for their product. This means it also acts as a safety net for farmers at times when world markets fall below a sustainable level. However, when the market price is higher than the Fairtrade minimum, the buyer must pay the market price. Producers and traders can also negotiate a higher price, for example on the basis of quality, and for some products, FLO also sets different prices for organic crops, or for particular grades of produce.

Producers are paid promptly. The standards also allow producers to request partial pre-payment of the contract. This is important for small-scale farmers' organisations as it ensures they have the cash flow to pay farmers at the time they deliver their crop. Buyers are also required to enter into long-term trading relationships so that producers can predict their income and plan for the future.

For a product to display the **FAIRTRADE Mark** it must meet international Fairtrade standards which are set by the international certification body [Fairtrade Labelling Organisations International](#)(FLO). These standards are agreed through a process of research and consultation with key participants in the Fairtrade scheme, including producers themselves, traders, NGOs, academic institutions and labelling organisations such as the Fairtrade Foundation.

Where did Fairtrade start? Fairtrade Labelling was created in the Netherlands in the late 1980s. The Max Havelaar Foundation launched the first Fairtrade consumer guarantee label in 1988 on coffee sourced from Mexico. Here in the UK, the Fairtrade Foundation was established in 1992, with the first products to carry the FAIRTRADE Mark launched in 1994.

As well as certifying producer organisations, for a product to carry the FAIRTRADE Mark, all the traders in the supply chain must register with FLO-CERT, and submit reports on their purchases and sales. Internationally-based importers and exporters report directly to FLO-CERT, whose trade auditors also conduct on-site

inspections.

Who checks up? Meanwhile UK based importers and manufacturers submit quarterly reports to the Fairtrade Foundation, and on-site inspections are carried out annually by an independent professional auditing company. This checks that their stock control, purchasing and sales records are being kept properly, and reporting on Fairtrade product sales is being done accurately. The Fairtrade Foundation has an independent [Certification Committee](#) that reviews the auditors' reports, and ensures any action points with companies are being followed up.

In summary the **key objectives of the standards** are to:

- ensure a guaranteed Fairtrade minimum price which is agreed with producers
- provide an additional Fairtrade premium which can be invested in projects that enhance social, economic and environmental development
- enable pre-financing for producers who require it
- emphasize the idea of partnership between trade partners
- facilitate mutually beneficial long-term trading relationships
- set clear minimum and progressive criteria to ensure that the conditions for the production and trade of a product are socially and economically fair and environmentally responsible.