



Explanatory Document

Why Fairtrade?

An explanation about Fairtrade and its objectives



Agrocel, Fairtrade certified rice cooperative in India. Photo: FLO



Fairtrade

“Fairtrade is aimed at benefiting those who find it difficult to sell into the international market and to trade responsibly and profitably when they do.

Fairtrade brings benefits such as access to the market, with increased sales and increased income as well as advice and support.

Producers are expected to use these benefits to increase their organisations ability to trade responsibly and to respect and improve the lives of those who work with them, the communities in which they work and the environment.

The benefits are also to be used by any workers employed to improve their living and working conditions and those of their communities.”

Background

‘Fair trade’ started at least 50 years ago with community and church organisations in Europe and North America buying products from other community organisations in the developing world. As it has grown, ‘fair trade’ has also moved into traditional shops and supermarkets.

‘Fair trade’ terms became formalised as Fairtrade when the Fairtrade Labelling Organizations International (FLO) was set up to agree international Fairtrade Standards. This label or mark, provides a guarantee in the commercial context that Fairtrade standards are being kept. It is part of the wider community of activists committed to achieving greater equity in trading relationships with less developed countries in Africa, Asia and Latin America.

Fairtrade’s history is strongly linked to working with small farmers. But, since the early 1990s, Fairtrade has also been working with plantations. In all cases, its emphasis is on empowerment and development of small farmers and of workers.

Development Objectives

Fairtrade’s work with small farmers aims to encourage them to work together and to gain the knowledge and power to improve their own situation. It works with small farmer associations, co-operatives and other such organisations as they strive for fair and responsible trading relationships. It also ensures that they receive additional money to improve their management structure and skill base, and their communities, whilst respecting the environment in which they live.

In plantations or estates, the emphasis is on the empowerment and development of hired workers, rather than management. Basic employment conditions have to be at a minimum standard before a plantation can be Fairtrade certified at all. Fairtrade then also builds skill, confidence and strength in the workers by engaging them in decision making about the Fairtrade Premium through a Joint Body with the plantation Management. This Premium is used to improve their communities as well as to pay for their own training. Empowering workers in this way, also gives them the skills to improve their terms and conditions of employment.

Both with small farmer organisations and with plantations, Fairtrade aims to assist them to operate responsibly. This means encouraging a culture of responsibility in all of their work,



rather than just following external rules, such as the Fairtrade standard. Fairtrade believes that an attitude of responsibility is important in all stakeholder relationships, such as those with employees, co-op members, company owners or shareholders, customers, local communities and the environment. It is important for the organisation to manage the impact it has through these relationships by balancing the organisations' needs with those of the stakeholders.

Fairtrade tries to have as few links as possible in the trade chain between producer and consumers. This means that producers can be more in control of their product. It also means that more of the final price can go to the producer rather than to other traders in a long chain.

Fairtrade also has the aim of improving working conditions and the terms of trade worldwide. There are millions of people around the world who buy Fairtrade labeled products in their local shops. Many of them work with FLO and other interested organizations to bring a fairer deal for all small-scale producers and workers in developing countries. Politicians and big companies are more likely to listen to this message if it is brought to them by millions of voters and customers.

Fairtrade Organisations

Fairtrade is controlled by a not-for-profit organisation called Fairtrade Labelling Organizations International (FLO). FLO researches and sets the Fairtrade Standard, the Fairtrade minimum price and the Fairtrade Premium. FLO also has a Producer Business Unit which works with producers who are trying to get certified under Fairtrade standards or who are certified but need assistance to develop. It employs local Liaison staff who can work directly with producers.

An independent commercial organization called FLO-Cert inspects and certifies producers and supply chains against the Fairtrade Standards. FLO and FLO-Cert are based in Germany. They only work with producer organizations and workers in developing countries. FLO and FLO-Cert are owned by currently 21 National Initiatives from around the world.

The National Initiatives (NIs) are organizations in the countries where Fairtrade labeled products are sold in shops. The NIs license the international Fairtrade Mark for use on products which have been sourced under Fairtrade standards and which are sold in their country. They also spread an understanding of Fairtrade and international trade issues and encourage customers to buy these products. National Initiatives are mainly based in developed countries, although recently, some National Initiatives are being established in countries in the South.

Fairtrade is a multi-stakeholder concept, it works with all the people in the trade chain. Representatives of all those in the chain are involved in the development of policies, the setting of the Fairtrade Standards and the ways in which they are applied. Such 'stakeholder' groups make up Fairtrade's main decision-making bodies.

Fairtrade Standards

For most products Fairtrade requires the industry to pay a Fairtrade minimum price and a Fairtrade Premium to the producers. The minimum price allows the producer to cover the costs of sustainable production. The Premium is money for the small farmers or the workers on a plantation to invest in improving their livelihood. This might be through skills training or



by building a school or even a bus stop! The farmers or workers decide on what are the most important priorities for them and manage the use of the Premium.

The Fairtrade standards require buyers to give a financial advance on contracts, called pre-financing, if producers ask for it. This is to help small-scale 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.

Fairtrade standards include financial rewards for producers to become certified-organic, as they guarantee a large price increase for organic products.

Conclusion

Fairtrade is a unique concept which focuses on the empowerment and development of the poorest producers and workers in developing countries. It is a program which is credible in the commercial world and one which brings about real change to those who need it most.