Generic Fairtrade Trade Standard

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Contact for comments: standards@fairtrade.net

For further information and standards downloads: www.fairtrade.net/standards.html

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Introduction

Purpose

Fairtrade is a strategy for poverty alleviation and sustainable development. Its purpose is to create opportunities for producers and workers who have been economically disadvantaged or marginalized by the conventional trading system. If fair access to markets under better trade conditions would help them overcome barriers to development, they can join Fairtrade.

Trade operators can join Fairtrade if they are committed to supporting these Fairtrade objectives. This Standard should be viewed as the minimum requirement for traders for demonstration of their commitment to Fairtrade.

References

Fairtrade International (FLO) also requires that operators always abide by national legislation, on the topics covered by this Standard, whenever the legislation sets higher requirements than this Standard. The same applies to regional and sector-specific practices.

How to use this Standard

The Generic Fairtrade Trade Standard has four chapters: General Requirements, Trade, Production and Business and Development.

- The General Requirements chapter defines requirements related to certification, and to the labelling and packaging of finished and unfinished products.
- The Trade chapter defines requirements related to trading practices.
- The Production chapter may only apply to product specific requirements.
- The Business and Development chapter defines requirements that make the unique Fairtrade approach to development more visible.

Each chapter and section of this Standard includes:

- The intent and scope which introduces and describes the objective and defines the scope of application of that chapter or section;
- The requirements which specify the rules to adhere to. All requirements must be complied with from the date of initial certification. Audits will be according to these requirements; and
- The guidance that will help to interpret the requirements. The guidance can provide best practices, suggestions and examples of how to comply with the requirement. It can also give further explanation on the requirement with the rationale and/or intention behind the requirement. Guidance will not be audited.

Scope

This Standard applies to operators who trade in certified products. Every operator buying or selling certified products, up to the point where the certified product is in its final packaging for the consumer, must comply with this Standard. All Fairtrade payers (operators who are responsible for paying the Fairtrade price and Fairtrade Premium) and conveyors (operators who receive or handle the Fairtrade price and Fairtrade Premium) must comply with this Standard.

In general this Standard does not apply to small producer organizations and contract production producers, as the trading rules they need to fulfil are included in the Generic Fairtrade Small Producer Organizations Standard and the Generic Fairtrade Contract Production Standard. It is still important for these groups to know that buyers must comply with this Standard when they buy Fairtrade products. Small producer organizations and contract production producers are encouraged to know these rules to be in a better position when negotiating Fairtrade transactions.

Small producer organizations and contract production producers that trade the product of other certified organizations are considered traders and must comply with the rules of the Generic Fairtrade Trade Standard found in this document.
Small producer organizations and contract production producers that sell final Fairtrade products to consumers and those that sell composite products or ingredients must comply with the specific rules on Use of Fairtrade trademark and Product Composition of the Generic Fairtrade Trade Standard found in this document.

For hired labour, this Standard is applicable provided that the applicable Generic Fairtrade Standard for Hired Labour is complied with and that a product standard exists for the certified product.

Fairtrade International also publishes product standards, which complement and add specific requirements to this Generic Fairtrade Trade Standard. The applicable product standards must also be complied with, and should be read in conjunction with this Generic Fairtrade Trade Standard. For some products, exceptions to specific requirements in this Standard have been defined in the relevant product standards. Aside from these explicit exceptions, the Generic Fairtrade Trade Standard supersedes the Fairtrade product standards.

Fairtrade Minimum Prices and Fairtrade Premium levels for Fairtrade products are published separately to the product standards. Fairtrade payers and conveyors should refer to the Fairtrade International website for details of the relevant price and Premium levels, and ensure that they are in compliance with these. Producers should also ensure that they are informed about current Fairtrade price and Premium levels for their products.

Definitions

Definitions for all key terms used in this Standard are included in Annex 1 to this Standard.

Implementation

When undertaking inspections and certification decisions, the certification body will closely follow the exact wording of the requirement and the objectives given.

Technical compliance criteria for the requirements are developed by the certification body. In cases where there is doubt over whether an operator has correctly applied a requirement, the certification body will make its assessment according to the objectives set out in this Standard.

Application

The first version of the Generic Fairtrade Trade Standard became applicable from 16 February 2009. From 1 July 2011 an amended version of the Generic Fairtrade Trade Standard is applicable following its approval by Fairtrade International’s respective standard-setting bodies. This version supersedes all previous versions.

Operators that were certified before 1 July 2011 will continue with their regular certification cycle, however there will be transition periods for complying with new requirements. New requirements are identified in this Standard by the words “New 2011.”

Monitoring of Amendments

Fairtrade International reserves the right to amend Fairtrade standards in accordance with Fairtrade International's Standard Operating Procedures (http://www.fairtrade.net/setting_the_standards.html). Requirements of Fairtrade standards may be added, deleted, or otherwise modified. Those who have to meet Fairtrade standards are required to monitor pending and finalized revisions on Fairtrade International's website. Fairtrade Certification ensures the compliance with Fairtrade standards. Revision of Fairtrade standards may lead to a change in the requirements of Fairtrade Certification. Those who wish to be certified or have already undergone certification are required to monitor pending and finalized certification policies and compliance criteria on the certification body’s website http://www.flo-cert.net.
## 1. General Requirements

### Intent and scope

All operators taking ownership of Fairtrade certified products and/or handling the Fairtrade price and Premium are audited and certified.

*Chapter 1 applies to the certificate holder.*

### 1.1 Certification

#### Intent and Scope

This section defines the requirements related to certification.

*Section 1.1 applies to the certificate holder.*

1.1.1 All operators will be subject to an audit and certification to assess compliance with this Standard.

**Guidance:** Operators will be subject to an audit process determined by the certification body to assess their compliance with this Standard.

Additional entities shall be considered as additional premises of the operator. They shall be required to submit themselves to an audit at the discretion of the certification body. When an operator starts to work with a new additional entity, the operator must confirm with that additional entity that audits can take place if required by the certification body.

Audits of additional entities will be undertaken on the basis of an assessment of the risk of non-compliance with trade standards. Where the operator can provide information, documentation, or plans to mitigate the risk associated with their additional entities, these will be useful in helping to categorise the risk of additional entity non-compliance.

1.1.2 Unless otherwise stated in the product standards, producers may sell products that have been held in stock for a maximum of one year before the certification was initially granted as certified.

**Guidance:** This requirement relates to crops harvested before the producer was certified. It also applies to non-agricultural products that are “held in stock”.

It means that a producer obtaining certification may begin selling recently harvested/stocked products without having to wait for the next harvest or production. Traceability requirements will be applied to these products.

1.1.3 Fairtrade products are only sourced from Fairtrade operators.

1.1.4 Fairtrade products not in consumer ready packaging are only sold to Fairtrade operators, either certified by FLO-CERT or registered with a Fairtrade Labelling Initiative.

1.1.5 All operators must designate one official contact for Fairtrade-related matters.

**Guidance:** All operators must designate one key contact person (a Fairtrade Officer) within their organization. The Fairtrade Officer will be the main contact person for certification and audit issues. She or he will be responsible for ensuring the operator’s compliance with all certification requirements and for keeping the certification body updated with contact details and other relevant information.

### 1.2 Use of Fairtrade Trademark

#### Intent and Scope

This section defines the requirements related to the labelling and packaging of finished and unfinished products.
<table>
<thead>
<tr>
<th>Section 1.2 applies to the certificate holder.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.2.1 Licensed products:</strong> Operators may only use the FAIRTRADE Certification Mark on a finished product if a valid Licence Contract has been signed with a Labelling Initiative or with Fairtrade International. Or, in case the manufacturing of the end product is sub-contracted, if there is a valid License Contract between the brand owner and a Labelling Initiative or with Fairtrade International. No mention of “Fairtrade,” “Fairtrade International,” “Fairtrade Standards,” “Fairtrade certification,” “Fairtrade Minimum Price,” “Fairtrade Premium,” “FLO,” “FLO-CERT” or “MAX HAVELAAR” can be made on the product packaging unless it also bears the FAIRTRADE Certification Mark.</td>
</tr>
<tr>
<td><strong>1.2.2 Artwork approval for finished products:</strong> All artwork (packaging, promotional, etc.) bearing the FAIRTRADE Certification Mark must be approved in writing, prior to use, by the organization (Labelling Initiative or Fairtrade International) issuing the Licence Contract, known as the Home LI. The licensee must submit all relevant artwork to the artwork department of the Home LI to ensure that the FAIRTRADE Certification Mark is used according to the established guidelines. The use of the FAIRTRADE Certification Mark must comply with the appropriate “Trademark Use Guidelines.”</td>
</tr>
<tr>
<td><strong>1.2.3 (New 2011) Promotional artwork approval for non-finished products:</strong> All promotional artwork (e.g., brochures, websites, wholesale packaging, etc.) bearing the FAIRTRADE Certification Mark used by operators to promote unfinished products must be approved in writing by Fairtrade International prior to use. The use of the FAIRTRADE Certification Mark must comply with the appropriate “Trademark Use Guidelines.”</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Trade</th>
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<tbody>
<tr>
<td><strong>Intent and scope</strong></td>
</tr>
<tr>
<td>This chapter outlines the requirements needed to be complied with when selling Fairtrade products.</td>
</tr>
<tr>
<td>This chapter also includes the requirements for composite products and ingredients (products made of several components).</td>
</tr>
<tr>
<td><strong>Chapter 2 applies to the Fairtrade product.</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2.1 Traceability</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intent and scope</strong></td>
</tr>
<tr>
<td>It is the Fairtrade objective to ensure that Fairtrade labelled products can be traced back to Fairtrade producers. This section of this Standard requires operators to physically separate Fairtrade products from non-Fairtrade ones and to ensure that products are identifiable as Fairtrade along the supply chain.</td>
</tr>
<tr>
<td>There are four product categories in which enforcing physical traceability compromises the aim to maximize benefits to producers: cocoa, cane sugar, fruit juice and tea. For these product categories, physical traceability is advisable but not compulsory. Operators with no physical traceability should aim at using certified inputs (sourced products) to process Fairtrade outputs (final products). Operators trading cocoa, cane sugar, fruit juices and tea that are willing to be physically traceable shall ensure that certified inputs are sourced from an operator successfully audited against these physical traceability requirements.</td>
</tr>
<tr>
<td>The method for demonstrating physical traceability is at the discretion of the operator. The Documentary Traceability requirements are compulsory for all product categories. The documentation related to the certified product must allow the certification body to trace back the Fairtrade product to its Fairtrade supplier.</td>
</tr>
<tr>
<td>For legal reasons, claims and messaging allowed for products with and without physical traceability are different. Only those supply chains successfully audited against the physical traceability requirements in this section can use claims and messaging for products with physical traceability.</td>
</tr>
<tr>
<td><strong>Section 2.1 applies to the Fairtrade product.</strong></td>
</tr>
</tbody>
</table>
Documentary traceability requirements:
The following requirements apply to all operators.

2.1.1 Buyers and sellers must clearly identify all certified products as Fairtrade in all purchase and sales documentation (e.g., invoices, delivery notes and purchase orders).

**Guidance:** The documentary traceability of Fairtrade products is mandatory for all operators. All operators will ensure that they and the certification body will be able to trace:
  - The name and FLO-ID of the seller and buyer of certified products and applicable dates of transaction
  - The quantities and physical form of the product when transacted (purchase and sale)
  - Payment of Fairtrade price and Fairtrade Premium and pre-financing (where applicable)

2.1.2 Operators shall keep records of all entries, processing and sales of Fairtrade products. Records shall allow the certification body to trace back from any given certified output to the certified inputs.

**Guidance:** All operators will ensure that they and the certification body will be able to trace the alterations performed and relevant recipes and yields.

Physical traceability requirements:
The following requirements apply to all operators except cocoa, cane sugar, fruit juices and tea operators without physical traceability.

2.1.3 Fairtrade products shall be physically segregated from non-Fairtrade products at all stages of the supply chain.

**Guidance:** Physical traceability is advisable but not compulsory for cocoa, cane sugar, fruit juice and tea. Physical traceability is compulsory for all other Fairtrade products. A transition period applies until 1 May 2011 at latest (two years after the Generic Fairtrade Trade Standard was implemented).

2.1.4 Fairtrade products shall be identified as Fairtrade at all stages (e.g., storage, transport, processing, packaging, labelling and handling) as well as in all related records and documents.

2.1.5 Fairtrade cocoa, cane sugar, tea and fruit juice shall be sourced from a Fairtrade operator successfully certified against these physical traceability requirements. These products, when purchased, shall be identified as a Fairtrade product with physical traceability.

**Guidance:** Because some cocoa, cane sugar, fruit juice and tea operators have no physical traceability for Fairtrade products in place, operators trading these product categories who wish to implement physical traceability shall source their inputs from operators that have been successfully certified against the physical traceability requirements.

2.1.6 Fairtrade products, when sold, shall be clearly identified as Fairtrade.

**Guidance:** The physical product must be identifiable as Fairtrade. The method of identification is at the discretion of the operator, but must be verifiable (e.g. the FLO-ID or “FLO/Fairtrade” on the packaging and documentation).

2.1.7 Where Fairtrade composite products combine physically and non-physically traceable ingredients, the Fairtrade physically traceable ingredients shall comply with the physical traceability requirements. If for technical reasons this is not possible, operators shall apply for an exception with their certification body.

**Guidance:** Some Fairtrade composite products combine physically traceable ingredients with non-physically traceable ones, which in some cases cause the loss of physical traceability for all or some of the ingredients. In these specific cases the operator shall prove that traceability is lost due to technical reasons. Only those ingredients successfully audited against the physical traceability requirements in this section will be allowed to use claims and messaging for products with physical traceability.
Mass Balance requirements:
The following requirements apply to cocoa, cane sugar, juice and tea operators with no physical traceability.

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Description</th>
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<tbody>
<tr>
<td>2.1.8 The amount of outputs (final products) sold as Fairtrade must be</td>
<td>equivalent to the amount of inputs sourced as Fairtrade taking into account the processing</td>
</tr>
<tr>
<td>equivalent to the amount of inputs sourced as Fairtrade taking into</td>
<td>yields and all losses.</td>
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<tr>
<td>account the processing yields and all losses.</td>
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<tr>
<td>Guidance: Losses is understood as all decreases in weight that the product</td>
<td>incurred from its purchase (input) until its sale (output) e.g., during storage, repackaging,</td>
</tr>
<tr>
<td>might incur from its purchase (input) until its sale (output) e.g.,</td>
<td>processing, transport, etc.</td>
</tr>
<tr>
<td>during storage, repackaging, processing, transport, etc.</td>
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</tr>
<tr>
<td>2.1.9 Operators shall ensure that Fairtrade inputs (sourced products) are</td>
<td>purchased before the sale of the Fairtrade outputs (final products).</td>
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<tr>
<td>purchased before the sale of the Fairtrade outputs (final products).</td>
<td></td>
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<tr>
<td>2.1.10 Fairtrade inputs shall be delivered and processed in the same site</td>
<td>where the Fairtrade output is processed (Single Site Mass Balance).</td>
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<tr>
<td>where the Fairtrade output is processed (Single Site Mass Balance).</td>
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<tr>
<td>2.1.11 Fairtrade inputs shall be of the same kind and quality as the inputs</td>
<td>used to process the Fairtrade output (like for like).</td>
</tr>
<tr>
<td>used to process the Fairtrade output (like for like).</td>
<td>Guidance: Certified ingredients shall be of the same kind and quality as those used for</td>
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<tr>
<td>Guidance: Certified ingredients shall be of the same kind and quality</td>
<td>processing the Fairtrade products e.g., if an operator sells Fairtrade chocolate made with</td>
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<tr>
<td>as those used for processing the Fairtrade products e.g., if an</td>
<td>high quality cocoa the Fairtrade ingredient purchased cannot be low quality cocoa beans;</td>
</tr>
<tr>
<td>operator sells Fairtrade chocolate made with high quality cocoa the</td>
<td>if an operator sells Fairtrade organic sugar the ingredient purchased cannot be non-organic</td>
</tr>
<tr>
<td>Fairtrade ingredient purchased cannot be low quality cocoa beans; if</td>
<td>Fairtrade sugar; and if an operator sells Fairtrade green tea the ingredient purchased</td>
</tr>
<tr>
<td>an operator sells Fairtrade organic sugar the ingredient purchased</td>
<td>cannot be Fairtrade black tea.</td>
</tr>
<tr>
<td>cannot be non-organic Fairtrade sugar; and if an operator sells</td>
<td></td>
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<tr>
<td>an operator sells Fairtrade green tea the ingredient purchased cannot</td>
<td></td>
</tr>
<tr>
<td>cannot be Fairtrade black tea.</td>
<td></td>
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<tr>
<td>2.1.12 Cane sugar operators can process Fairtrade cane sugar in premises</td>
<td>also sourcing beet sugar. Operators shall ensure that products exclusively made of beet</td>
</tr>
<tr>
<td>also sourcing beet sugar. Operators shall ensure that products</td>
<td>sugar are not sold as Fairtrade.</td>
</tr>
<tr>
<td>are not sold as Fairtrade.</td>
<td>Guidance: Processing units sourcing beet sugar can process certified products containing</td>
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<tr>
<td>Guidance: Processing units sourcing beet sugar can process certified</td>
<td>Fairtrade cane sugar. Operators should aim at maximizing the use of Fairtrade cane sugar to</td>
</tr>
<tr>
<td>certified products containing Fairtrade cane sugar. Operators should</td>
<td>process the certified product.</td>
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<tr>
<td>aim at maximizing the use of Fairtrade cane sugar to process the</td>
<td></td>
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<tr>
<td>certified product.</td>
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<tr>
<td>2.1.13 Until 31 December 2015, all cane sugar and cocoa operators can</td>
<td>implement Group Mass Balance for a maximum period of 2 years. After these 2 years, the</td>
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<tr>
<td>implement Group Mass Balance for a maximum period of 2 years. After</td>
<td>operator must have Single Site Mass Balance in place. For operators with Group Mass Balance</td>
</tr>
<tr>
<td>these 2 years, the operator must have Single Site Mass Balance in</td>
<td>already in place, the 2 years start 1 March 2011. Operators who implement Group Mass Balance</td>
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<tr>
<td>place. For operators with Group Mass Balance already in place, the</td>
<td>must notify the certification body their interest in this practice before implementing it</td>
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<tr>
<td>the 2 years start 1 March 2011. Operators who implement Group Mass</td>
<td>and will keep the certification body informed on the sites involved in this practice as well</td>
</tr>
<tr>
<td>Balance must notify the certification body their interest in this</td>
<td>as on the products and volumes processed in these sites. All sites processing Fairtrade</td>
</tr>
<tr>
<td>practice before implementing it and will keep the certification body</td>
<td>products will be audited annually.</td>
</tr>
<tr>
<td>informed on the sites involved in this practice as well as on the</td>
<td>Guidance: Fairtrade differentiates two types of mass balance practices:</td>
</tr>
<tr>
<td>products and volumes processed in these sites. All sites</td>
<td>Single Site Mass Balance is audited per site: Fairtrade inputs have to be delivered and</td>
</tr>
<tr>
<td>processing Fairtrade products will be audited annually.</td>
<td>processed in the same site where the Fairtrade output is processed. Operators should aim to</td>
</tr>
<tr>
<td>Guidance: Fairtrade differentiates two types of mass balance practices:</td>
<td>use certified inputs to process Fairtrade outputs.</td>
</tr>
<tr>
<td>Single Site Mass Balance is audited per site: Fairtrade inputs have</td>
<td>Group Mass Balance is audited per group of sites: Fairtrade inputs do not need to be sourced</td>
</tr>
<tr>
<td>to be delivered and processed in the same site where the Fairtrade</td>
<td>in the same factory that the Fairtrade output is processed.</td>
</tr>
<tr>
<td>output is processed. Operators should aim to use certified inputs to</td>
<td>The aim of Fairtrade is to achieve Single Site Mass Balance in the mid-term and to achieve</td>
</tr>
<tr>
<td>process Fairtrade outputs.</td>
<td>physical traceability in all its products in the long term. Accordingly, it is foreseen to</td>
</tr>
<tr>
<td>The aim of Fairtrade is to achieve Single Site Mass Balance in the</td>
<td>phase out Group Mass Balance in December 2015. A research on Group Mass Balance will be</td>
</tr>
<tr>
<td>mid-term and to achieve physical traceability in all its products in</td>
<td>launched in 2013. The results will define the best approach to phase out Group Mass Balance</td>
</tr>
<tr>
<td>the long term. Accordingly, it is foreseen to phase out Group Mass</td>
<td>by the end of 2015. Until this date cocoa and sugar operators are allowed to implement Group</td>
</tr>
<tr>
<td>Mass Balance in December 2015. A research on Group Mass Balance will</td>
<td>Mass Balance for a maximum period of 2 years. This 2 year period is not renewable.</td>
</tr>
<tr>
<td>be launched in 2013. The results will define the best approach to</td>
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<tr>
<td>phase out Group Mass Balance by the end of 2015. Until this date</td>
<td></td>
</tr>
<tr>
<td>phase out Group Mass Balance by the end of 2015. Until this date</td>
<td></td>
</tr>
<tr>
<td>cocoa and sugar operators are allowed to implement Group Mass Balance</td>
<td></td>
</tr>
<tr>
<td>for a maximum period of 2 years. This 2 year period is not renewable.</td>
<td></td>
</tr>
<tr>
<td>This 2 year period is not renewable.</td>
<td></td>
</tr>
</tbody>
</table>

2.2 Product Composition

Intent and scope
The intent of labelling food composite products as Fairtrade certified is to provide the maximum benefit to producers. This means that the product must contain as many Fairtrade certified ingredients as possible.
The requirements in this section apply to all food composite products and food composite ingredients certified and/or licensed after June 2011. Products previously certified and/or licensed under the Guidelines for the Fairtrade Labelling of Composite Food Products must transition to these requirements within 2 years of June 2011.

**Section 2.2 applies to the Fairtrade product.**

### 2.2.1 Food composite ingredients and food composite products must contain as many certified ingredients as available.

**Guidance:** “Must contain as many Fairtrade certified ingredients as available” includes:
- Composite Ingredients (ingredients made of several components, e.g., chocolate chips)
- Derivatives (an ingredient derived from a single component, e.g., soya lecithin)

A regularly updated *List of Fairtrade Ingredients* will be published on the Fairtrade International website.

### 2.2.2 Food composite products must contain at least 20% Fairtrade content. The percentages used to calculate the concentration of Fairtrade ingredients on a food composite product shall be expressed in the following units of measurement:

- **Products with ≤50% added water or dairy**
  - Normal weight/volume of the Fairtrade ingredient/s relative to the total weight/volume of all the initial ingredients before processing. The unit of measurement used to calculate the % should be the same unit of measurement as used on the pack. This type of product category includes fresh juices but not juices from concentrate.

- **Products with >50% added water or dairy**
  - Same as above, but excluding all added water and/or dairy.

**Guidance:** This requirement only applies to food composite products (consumer ready product composed of more than one ingredient) and not to food composite ingredients (ingredient made of several components not intended for consumer purchase).

### 2.2.3 The declaration of the minimum percent of Fairtrade certified content is compulsory on the back of the pack, unless it contradicts national law.

**Guidance:** It is the responsibility of the licensee to ensure that product packaging complies with all relevant labelling laws within the jurisdiction of the area(s) where the product is being sold.

### 2.2.4 Exceptions for the use of a non-certified ingredient in place of a certified ingredient can be granted for a defined period of a maximum of 2 years. After that time the operator must provide evidence that Fairtrade ingredients are now in use or must submit a new exception application. The total Fairtrade content of the composite product must still reach the minimum threshold of 20%.

**Guidance:** To apply for exceptions operators processing food composite products have to refer to their Fairtrade licensing body and operators processing food composite ingredients have to refer to their Fairtrade certification body. A request for exception does not guarantee that an exception will be granted.

As part of the terms for exception, and to ensure benefit to Fairtrade producers, operators may be required to provide payment (e.g., of the Fairtrade Premium) to Fairtrade producers in the amount equivalent to the volume excepted from being sourced as Fairtrade.

The following gives general conditions and reasons under which operators can apply for an exception:

**Type I exceptions are granted by the licensing body or certification body, based on the guidelines established by the Exceptions Committee. The following reasons are applicable:**

**Supply shortage**
- Sourcing of certified ingredients is provisionally not possible for reasons beyond the manufacturer’s or processor’s control, e.g. drought, natural disaster, strikes, war or similar.
<table>
<thead>
<tr>
<th>Inadequate quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The quality of Fairtrade ingredients available causes insurmountable technical problems.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>• When a new product standard is published, an exception of 2 years is automatically granted to all currently certified operators to allow time for sourcing the new ingredient. If the sourcing problems persist after 2 years, operators may apply for an exception.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unavailable ingredient</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Refers to an ingredient or derivative for which Fairtrade standards exist, but that is not currently being sold / processed by any operator as Fairtrade certified. A list of Fairtrade ingredients will be managed by the Exceptions Committee and published. Operators must source the ingredient once it becomes available.</td>
</tr>
</tbody>
</table>

**Type II exceptions are granted by the Exceptions Committee. The following reasons are applicable:**

<table>
<thead>
<tr>
<th>Transitioning ingredient</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Refers to an ingredient within a food composite product that cannot be fully sourced as Fairtrade, due to issues of supply. The ingredient is available and being sold / processed as Fairtrade by an operator, but sufficient volumes do not exist to supply 100% of the required quantity. The company must have an agreed written plan for the ingredient becoming 100% Fairtrade.</td>
</tr>
<tr>
<td>• At least 20% of each transitioning ingredient in a food composite product must be sourced as Fairtrade when the licence contract is signed. Within one year, this composition must increase to a minimum of 50%. The transitioning ingredient must become 100% in accordance with the agreed plan and as soon as enough supply is available.</td>
</tr>
<tr>
<td>• The total concentration of Fairtrade ingredients must be calculated using the Fairtrade content of each ingredient.</td>
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</tbody>
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<thead>
<tr>
<th>Provenance</th>
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<tr>
<td>• Ingredients holding a provenance certification e.g., Appellation d’origine controlee, Denominación de origen, Districtus Austria Controllatus, Denominação de Origem Controlada, etc. The ingredient claiming provenance must be indicated as an exception on the back of the pack.</td>
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</table>

### 2.3 Contracts

**Intent and scope**

Contracts between producers and buyers set the framework for Fairtrade trade operations. It is important that the contractual obligations are mutually agreed, well documented, and clearly understood by the contracting parties.

**Section 2.3 applies to the certificate holder.**
2.3.1 Buyers must sign binding purchase contracts with producers. Unless otherwise stated in the product standards, contracts must as a minimum clearly indicate the: agreed volumes, quality, price, payment terms, and delivery conditions. All contracts between producers and Fairtrade payers or conveyors must stipulate a mechanism to resolve conflicts separate from jurisdiction agreed by both parties.

Guidance: Buyers must ensure that a written contract exists for products bought and sold under this requirement.

This requirement makes it clear that, as a minimum, both parties must agree volumes, quality, price, payment terms and delivery conditions, and these agreed terms must be clearly stated in the contract.

The Fairtrade product specific standards may include additional requirements about the contract content for particular products. Any such additional requirements from the relevant product standards must be included in the agreed contract.

Responsibility for drawing up the contract should be mutually agreed on. Where no agreement can be reached, the responsibility to draw up the contract rests with the buyer who must also ensure that the contract reaches the seller in an agreed language.

This requirement also requires that a mechanism for arbitration is written into contracts between producers and Fairtrade payers or conveyors.

2.3.2 Where notice is made of a producer’s or buyer’s suspension from Fairtrade, signed contracts made before the date of notice will be recognised as valid for Fairtrade-certified products for a maximum period of six months.

Guidance: Existing Fairtrade contracts that have been entered into before notice of suspension may be fulfilled if both parties (producer and buyer) agree.

To be considered as certified, the product must be delivered within a time limit of six months.

New Fairtrade contracts must not be signed after the date of the notice of suspension.

2.3.3 Where an operator is decertified, they must immediately stop buying or selling products as Fairtrade-certified. This requirement is applicable from the date of decertification. Contracts with a decertified operator that have been fulfilled before the date of decertification shall be accepted. Contracts that have not been fulfilled at the point of decertification shall not be classified as Fairtrade contracts.

Guidance: This requirement makes it clear that from the date of decertification, operators must not purchase products from, or sell products to, decertified operators for sale as a certified product.

This requirement also clarifies that where a certified product from a decertified operator has been delivered before the date of decertification, then it shall be accepted as certified. For example, in an FOB contract, if the product is on board before the decertification then it shall be accepted. Contracts that have not yet been delivered are no longer Fairtrade contracts.

2.3.4 Claims associated with specific consignments must be documented according to the relevant trade policy requirements on claims, and applications must be made within the required time periods.

Guidance: This requirement relates to specific claims that may form the basis of disputes between a producer and a buyer. This requirement requires that operators try to resolve any such disputes, but where this is not possible the operators must document the claim according to the requirements of the relevant trade policy and must follow the certification body’s procedures for claims and resolutions where these exist.

2.3.5 The price may be fixed, by mutual agreement, for any future delivery date, unless otherwise stated in the product standards.

Guidance: This requirement gives both the Fairtrade payer and the producer the option to determine when and how the price is fixed, unless this has already been defined in the product standards. This means that as long as both parties are in agreement about when and how the price is fixed (and the requirements under 2.3.3 and 2.3.4 have been met), then they will be in compliance with this
### 2.3.6 Unless otherwise specified in the product standards, Fairtrade payers may use all available forms of payment as long as those payment instruments are transparent, traceable and mutually agreed on.

**Guidance:** This requirement allows for both parties to come to an agreement on the best mechanism for payment and receipt of payment. Any financial instrument available to the operators can be used (for example: letter of credit; bank transfer) as long as the payment method is agreed between both parties.

All forms of payment must be transparent and traceable. The responsibility for demonstrating to the certification body that payment is made rests with the Fairtrade payer.

### 2.3.7 New Fairtrade prices apply from date of their announcement by Fairtrade International unless otherwise defined by Fairtrade International. However, existing contracts must be honoured at the existing price already agreed on.

**Guidance:** New Fairtrade prices announced by Fairtrade International will come into effect on the date of their announcement and must be applied by operators from that date on, unless otherwise defined by Fairtrade International. The new prices relate to new contracts being negotiated from that date onwards.

For existing contracts where the price has already been agreed and fixed, then the original price must be honoured. This applies even where the delivery date of that contract is in the future.

### 3. Production

No generic requirements. Product specific requirements may apply.

### 4. Business and Development

#### Intent and scope

This chapter outlines the requirements that are unique to Fairtrade and intends to lay the foundations for producer empowerment and development to take place.

**Chapter 4 applies to the certificate holder.**

#### 4.1 Sustaining Trade

#### Intent and scope

Fairtrade aims to create sustainable trade partnerships between producers and their buyers, which enable producers to have long-term access to markets under viable conditions. Above and beyond requirements in this Standard, it is important that these relationships grow stronger over time and are based on mutual respect, transparency and commitment.

Exchange of information is one important element of the trade relationship, in particular for producers. Sourcing plans allow producers to plan their production more effectively, and to ensure that they can deliver the required amounts of products (of the required quality) to buyers. The aim is to encourage buyers to facilitate the planning process for producers.

Buyers are also encouraged to give any additional assistance they can mutually agree on with producers. Tools such as information sharing, price updates, quality training, risk sharing plans and others should be considered.

**Section 4.1 applies to the certificate holder.**

#### 4.1.1 Buyers (including those making purchases via marketing boards) must provide a sourcing plan to each producer they plan to buy from, as well as to conveyors, if applicable.

**Guidance:** This Standard makes it a requirement that every operator planning to buy from a particular producer must provide a sourcing plan to that producer. The certification body will expect to
see evidence that a sourcing plan has been provided to each producer. Wherever applicable, the buyer must also share a copy of the sourcing plan with the conveyor.

Sourcing plans are developed with reference to qualities, quantities, dates of delivery or purchase, price or value as outlined in the product standards.

Buyers are encouraged to use the buying pattern of the previous season or year as a guide for the development of their sourcing plans. In cases where no prior buying patterns exist (i.e., when the buyer, producer, or product is new within the trading relationship) the buyer should make a reasonable estimate.

The applicable timing for the provision of sourcing plans to producers is further defined in the product standards.

Any buyer who is purchasing a certified product that is exported via a marketing board must nonetheless provide a sourcing plan to the producer. Buyers may also consider sharing the sourcing plan with the marketing board to help planning.

4.1.2 Buyers must not offer to buy certified products from a producer on the condition that the producer sells a quantity of non-certified product under terms that are distinctly disadvantageous to the producer.

Guidance: This requirement applies to Fairtrade payers who buy both certified and non-certified products from the same producer.

This Standard makes it a requirement that the purchase of non-certified products under terms that are distinctly disadvantageous to the producer must never be undertaken as a condition for certified purchases. The certification body will determine whether any given transaction can be considered as “distinctly disadvantageous”.

Producers that feel they have experienced disadvantageous practices by Fairtrade payers should document their concerns and send these as a complaint to the certification body.

4.1.3 Producers must have access to the contracts signed between conveyors and Fairtrade payers.

Guidance: This Standard makes it a requirement that conveyors must give producers access to the contracts they have signed with Fairtrade payers. This means that on request from a producer the conveyor must make a copy of the relevant contract(s) available to that producer.

4.2 Pre-finance

Intent and scope
Pre-finance is one of the core benefits for producers within the Fairtrade system. The intention of this section is to help producers gain access to reasonable forms of financial assistance to support their purchases from members.

Pre-finance should be provided as soon as possible after signature of contract to ensure that producers can make the most effective use of it.

Fairtrade encourages traders to offer other forms of financing or payment such as “pre-payment”, “advance-payment” and/or “crop-finance” to producers. However, this section refers to “pre-finance” only in relation to payments which are made against agreed contracts between producers and buyers for Fairtrade products. Pre-finance payments are payments which usually accrue interest.

This section explicitly states that buyers may explore possibilities to seek pre-finance via third parties. However, the interest rates that the producer pays on such pre-finance agreements must not be higher than the buyer’s cost of borrowing from the third party.

The percentage limitation for pre-finance represents the maximum that buyers are required to pay, if producers request it. However, buyers are encouraged to provide higher percentages of pre-financing if so desired by the producer, upon mutual agreement.

Section 4.2 applies to the certificate holder.

4.2.1 Producers may request pre-finance from Fairtrade payers against agreed time periods and,
where required, against specific quantities unless otherwise specified in the product standards.
Where marketing boards exist, pre-finance requirements are not applicable to the relevant products.

**Guidance:** This requirement makes it an option for producers to request pre-financing from Fairtrade payers. With this requirement, the onus rests with the producer to request pre-finance against agreed contracts from the Fairtrade payer of that contract.

Fairtrade payers may choose, with the agreement of the producer, to offer pre-finance, via a third party.

Where producers feel that they are being coerced into not requesting pre-finance, they are encouraged to document a complaint for further investigation to the certification body.

| 4.2.2 | Where pre-financing is requested and unless otherwise stated in the product standards, Fairtrade payers must provide pre-finance up to 60% of the contract value. The minimum percentage of the pre-finance must be defined by the producer.  
**Guidance:** Producers may request pre-finance of up to 60% of the contract value. Buyers must provide the pre-finance requested. Producers may use the Fairtrade Minimum Price level (where this exists) when calculating the pre-finance value. For products that do not have Minimum Prices or when market prices are higher than the Fairtrade Minimum Price, then the contract value may be used. The level of the pre-finance must be determined by the producer, up to the ceiling of 60%. Where both parties are in agreement, pre-finance exceeding 60% of the contract value can be given. |
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<td>4.2.3</td>
<td>Fairtrade payers must make pre-finance available from the point of signing the contract, or at any point thereafter, but not later than a specified time period as stated in the product standard. <strong>Guidance:</strong> This requirement makes a distinction between making a request for pre-finance and the actual delivery of the pre-finance. While the request must be made when orders have been confirmed, this requirement requires that the pre-finance is made effectively available for use (delivered) by the Fairtrade payer to the producer as soon as possible after the contract is signed. At the latest, pre-finance must be delivered within the time period determined in the product standard.</td>
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<td>4.2.4</td>
<td>Where a sufficiently high level of risk of non-repayment or non-delivery has been associated with a particular producer, and only where that level of risk has been assessed and verified via a third party lender, then the pre-finance requirements under requirements 4.2.2 and 4.2.3 do not have to be met. <strong>Guidance:</strong> This requirement gives an option to the Fairtrade payer to request from the certification body that requirements 4.2.2 and 4.2.3 in this Standard do not have to be met. The assessment mechanism will be via a third party lender. Where the Fairtrade payer views a particular producer requesting pre-finance as &quot;high risk&quot;, they must approach a third party lender to request pre-financing for the producer. Where the lender agrees, then this must be done. Where the lender undertakes an assessment and classifies the producer group as &quot;high risk&quot; and will not provide pre-finance, then this assessment report from the lender must be submitted to the certification body. Where buyers are deemed to assess their producer partners persistently as being &quot;high risk,&quot; the certification body may request an additional verification from an additional third party lender. The interpretation of “persistently” in this context will be determined by the certification body.</td>
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<td>4.2.5</td>
<td>Interest charges on the pre-financed value must be agreed by both the buyer and the producer. They must not exceed the buyer’s current cost of borrowing (including administrative costs), and buyers are encouraged to make pre-finance available on better terms (at lower rates of interest) to the producer. <strong>Guidance:</strong> The buyer is allowed to charge interest on the pre-financed amount. The interest rate must not exceed the buyer’s cost of borrowing. Both parties must agree on the level of interest that is charged on the pre-financed amount. Agreement on the interest rate may include consideration of any administrative costs that have been incurred by the buyer in organizing and delivering the pre-finance.</td>
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</table>
4.2.6 The requirements of local and national legislation take priority where they conflict with these requirements on pre-finance.

**Guidance:** In cases where local and national legislation means that the Fairtrade payer is not legally permitted to pay pre-finance, this Standard does not apply. In such cases, it is important that the Fairtrade payer communicates the legal restrictions to the producer.

4.2.7 When pre-finance has been agreed upon, the Fairtrade payer must document either a separate pre-finance section within the contract or a separate credit agreement with the producer.

**Guidance:** Under this requirement, the provision of pre-finance must be documented as a separate section within the contract or as a separate credit agreement. This means that the pre-finance facility should be documented in a clear agreement including terms and conditions for both parties. This should include the amounts to be pre-financed, start dates, date of repayment, consignment contract details, rates of interest, and options for collection of payment (i.e., from the contract payments).

### 4.3 Pricing

**Intent and scope**

The Fairtrade Minimum Price or relevant market price and the Fairtrade Premium are core benefits of the Fairtrade system for producers. The payment of the Fairtrade Minimum Price and Fairtrade Premium is a key function of those trade operators that buy from producers and are responsible for paying the Fairtrade price (the “Fairtrade payer”).

Fairtrade Minimum Prices are meant to protect and reduce the risks for producers in the event that market prices fall.

**Section 4.3 applies to the certificate holder.**

4.3.1 Fairtrade payers must pay to producers at least the Fairtrade Minimum Price for the product contracted, where it exists, or the relevant market price where no Fairtrade Minimum Price exists.

When the relevant market price for a product is higher than the Fairtrade Minimum Price, then at least the market price must be paid.

**Guidance:** The Fairtrade Minimum Price of a product, where it exists, is the lowest possible price that the Fairtrade payer may pay to the producer. The Fairtrade Minimum Price is the starting point for price negotiations between the producer and the Fairtrade payer. When the relevant market price for a product is higher than the Fairtrade Minimum Price, then at least this higher market price must be paid.

Both parties must keep evidence of the price level and how it was agreed. Either party can demonstrate the market price based on agreements/contracts with other clients/suppliers for a similar time period (if and when required).

The Fairtrade Minimum Price includes any reference to organic prices or organic price differentials.

Fairtrade payers must refer to the Fairtrade Minimum Price information which is published separately.

4.3.2 Fairtrade payers must additionally pay a Fairtrade Premium for the product. Where applicable, conveyors are responsible for passing the Fairtrade Premium on to the producer. Rules for payment apply differently to different types of Fairtrade producer types, as follows:

- For small producers’ organizations, payment must be made directly to the certified small producers’ organization.
- For hired labour situations, payment must be made directly to the account of the joint body of the certified hired labour operator.
- For contract production projects, payment must be made directly to a separate account for which the promoting body or its nominee is responsible.
- By derogation for all producer set-ups, payment may also be made to a Premium trust fund or to another agreed third party with the written permission of the producer.

**Guidance:** Fairtrade payers must pay a Fairtrade Premium for the products purchased, as specified
in the relevant Fairtrade product standards.

The requirements for who should receive the payment vary according to the type of producer organization being paid. The producer may request that payment is made via a third party where this is appropriate.

Fairtrade payers must refer to the Fairtrade Premium information, which is published separately.

No discounts are allowed to be made from the Fairtrade Premium payment.

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<tr>
<th>4.3.3</th>
<th>Fairtrade Minimum Prices are set at one or several levels in the trade chain. Fairtrade Minimum Prices apply up until the point where producers are responsible for the product. Where there is no available price for the appropriate level of responsibility of the producer, then the Minimum Price has to be adapted accordingly. In the case of a small producers’ organization, Fairtrade Minimum Prices are set at the level of the Producer Organization, not at the level of individual producers (members of the organization). Guidance: Fairtrade Minimum Prices are set at one or several levels in the trade chain: Farm Gate (see the specific Fairtrade International definition of Farm Gate), Ex Works (EXW), Free on Board (FOB), or other Inco Term levels. For each product sale, only one Minimum Price is applied, that is, at the price level where the producer’s responsibility ends. Fairtrade Minimum Prices set at Farm Gate and EXW are only applicable to producers who do not export the product themselves. Fairtrade Minimum Prices set at FOB level are applicable only for producers exporting the product themselves. For example, if a producer organization is responsible for a product up to the Farm Gate level, then the Farm Gate level price applies (where it exists). In case no price exists for the relevant level of responsibility of the producer, then the Minimum Price must be adapted accordingly. For producers who go beyond the level of responsibility implied by the price, any additional costs borne by the producer should be added to the Minimum Price. Where the producer’s responsibility ends before the level at which the price is set, then reasonable costs included in the price but not borne by the producer may be deducted from the Minimum Price. These costs should be documented. The interpretation of “reasonable costs” in this context will be determined by the certification body. For example, if a producer is responsible for all costs up to the Farm Gate level but not beyond, but the Fairtrade Minimum Price is only set at FOB level for that product, then the price the producer receives from the Fairtrade payer will be the FOB price minus reasonable transport and export costs.</th>
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<tr>
<td>4.3.4</td>
<td>Cases may also arise where Fairtrade Minimum Prices are set at relevant levels, but where the producer or the payer bears the costs of certain activities which are not reflected in the price. Where a producer bears a cost which is not included in the Fairtrade Minimum Price, then this additional cost must be added to the Fairtrade Minimum Price paid to the producer. Conversely, where a certain cost is included in the Fairtrade Minimum Price, but the producer is not responsible for that cost, then that cost may be deducted from the Fairtrade Minimum Price paid to the producer. Guidance: For example, if a producer takes responsibility for an activity which is not included in the Fairtrade Minimum Price (e.g., transport to the harbour, specific packing or processing), the cost of this additional activity will be added to the Fairtrade Minimum Price paid by the Fairtrade payer to the producer. On the other hand, if a producer receives inputs in kind from the Fairtrade payer and the producer does not pay for them, then the costs of these inputs must be documented and may be deducted from the price paid by the Fairtrade payer to the producer.</td>
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| 4.3.5 | *(New 2011)* For domestic sales in the producing country, operators can only sell finished products with the FAIRTRADE Certification Mark when a valid License Contract has been signed with Fairtrade International (see Use of Fairtrade Trademark). For sales in the domestic market at least the Fairtrade Minimum Price and/or Premium at Farm Gate or Ex Works level has to be paid to the
producer. When there is only a FOB Fairtrade Minimum Price (or one at another export level), then reasonable transport and export costs may be deducted from the price to calculate the Fairtrade Minimum Price at the level at which the producer sells. These costs should be documented. The interpretation of “reasonable costs” in this context will be determined by the certification body.

In addition to this price the Fairtrade Premium must be paid.

**4.3.6** If a producer processes an agricultural product himself and sells this product, then the producer and the buyer must negotiate the price of the final product. This negotiated price must cover at least the Fairtrade Minimum Price of all Fairtrade inputs and the processing costs. The Fairtrade Premium comes on top of the negotiated price and amounts to the Premiums of all inputs.

This requirement does not apply for fruit for processing into dried fruit or juices and pulps, or for products with a Fairtrade Minimum Price.

This requirement also does not apply for operators certified as processors.

**4.3.7** Payment of Fairtrade Minimum Price and Fairtrade Premium must be made no later than 30 days after date of invoice unless otherwise specified in the product standard.

*Guidance:* This requirement states that payment of Fairtrade prices must be made no later than 30 days after the date of invoice. The product standards may specify different terms.

The Fairtrade price consists of the Fairtrade Minimum Prices (where they exist and are applicable) and of the Fairtrade Premium.
Annex 1 Definitions

This annex includes the current definitions of trade-related terms as employed by the Fairtrade standard setter and the certification body. These terms may appear either in this Generic Fairtrade Trade Standard, or in the Fairtrade product standards.

Definitions

1. **Agent** is a juristic or natural person who provides marketing or logistic services to operators, but at no time takes legal ownership of a certified product.

2. **Audit** means a process of verification to assess the compliance of an operator and/or a product with the Fairtrade standards.

3. **Buyer** means an operator that buys a certified product.

4. **Certification** means the process of issuing a confirmation by a certification body that an operator and/or a specific lot of products is found to comply with a Fairtrade standard.

5. **Certification Body** means an independent third party, or third parties, to whom Fairtrade International has delegated the function of inspection and certification.

6. **Certificate** means a written confirmation issued by a certification body that an operator or a specific lot of product(s) is found to comply with a Fairtrade standard.

7. **Composite Ingredient** is an ingredient made of several components (e.g., chocolate chips) not intended for consumer purchase.

8. **Composite Product** is a consumer ready product composed of more than one ingredient.

9. **Consumer** means the final end user of the product.

10. **Contract** means a written agreement between two or more parties.

11. **Contract Production** (CP) means individual farmers who are contracted to produce and sell their products to a service provider. In the Fairtrade context, CP also refers to a set of Fairtrade standards describing the relationship between the service provider (Promoting Body), the contracted producers, and their representatives (Producer Executive Body).

12. **Conveyor** means any operator that receives the Fairtrade price or Fairtrade Premium from a Fairtrade payer and passes it on to the certified producer.

13. **Dairy** means containing milk or milk products.

14. **Derogation** means a restricted facility to deviate from a specific requirement under specific conditions.

15. **Exception** is a formal granting of permission for an operator to use a non-certified ingredient in place of a certified ingredient in a product formulation for a defined period of time and under specific conditions.

16. **Exceptions Committee** is a committee responsible for providing guidelines for the granting of exceptions. Type II exceptions may only be granted by the Exceptions Committee.

17. **Ex Works** means that delivery takes place when the seller places the goods at the disposal of the buyer at the premises of the seller or another named place (works, factory, warehouse, etc.) not cleared for export and not loaded on any collecting vehicle.

18. **Fairtrade Minimum Price** (where it exists) is the lowest possible price that may be paid by buyers to producers for a product to become certified against the Fairtrade standards.
19. **Fairtrade payer** means the buyer responsible for paying the Fairtrade Minimum Price and the Fairtrade Premium. Buyers must check their potential status as Fairtrade payer with the certification body.

20. **Fairtrade Premium** is an amount paid to producers in addition to the payment for their products. The Fairtrade Premium is intended for investment in the producers’ business and community (for a small farmers’ organization or contract production set-up) or for the socio-economic development of the workers and their community (for a hired labour situation).

21. **Fairtrade price** means the total price paid to producers and includes the Fairtrade Minimum Price (or relevant market price where applicable) and the Fairtrade Premium.

22. **Farm Gate price** as used by FLO refers to the gate of the certified producer entity (e.g., the Small Producers’ Organization), and not the gate of the individual producer’s farm. Farm Gate therefore means that the seller (the certified producer entity) delivers when they place the goods at the disposal of the buyer at the premises of the seller.

23. **Fairtrade International (FLO)** is the Fairtrade Labelling Organizations International e.V., a non-profit organization that develops the Fairtrade standards, provides guidance to support Fairtrade producers and facilitates the development of Fairtrade markets.

24. **Finished Product** is a licensed product that can be for the retail sector as well as the out of home sector.

25. **Force Majeure** is a clause used in contracts to release a party from a contractual obligation in the event of a situation occurring that is not under its control, such as an act of war, civil commotion, strike and exceptionally severe weather.

26. **Free on Board** (FOB) means that the seller delivers when the goods pass the ship’s rail at the named port of shipment. From that point forward, the buyer has to bear all costs and risks of loss or damage to the goods. Under FOB terms, the seller is required to clear the goods for export.

27. **Ingredient** is any substance, including a food additive, used in the manufacture or preparation of a food and present in the final product, although possibly in a modified form.

28. **Licensee** is a company licensed by a Labelling Initiative or Fairtrade International to use the Fairtrade Certification Mark.

29. **Licensing Body** is the agent which draws up and signs a licence contract with a licensee. In countries where a Labelling Initiative (LI) is located, the LI serves as the Licensing Body. In non-LI countries, Fairtrade Labelling Organizations International e.V. (FLO) serves as the Licensing Body.

30. **Market price** means the price calculated under normal/ordinary conditions (including any differentials due to quality, variety or other factors), with no reference to any additional Fairtrade Premium.

31. **Non-certified product** shall mean any product that has not been produced or traded under Fairtrade standards.

32. **Operator** means any producer, buyer, seller and conveyer certified against this Standard.

33. **Pre-finance** means to provide finance against contracts in advance of delivery or receipt of the product.

34. **Producer** means any entity that has been certified under the Fairtrade International Generic Fairtrade Standard for Small Producer Organizations, Generic Fairtrade Standard for Hired Labour Situations, or Generic Fairtrade Standard for Contract Production.
35. **Product** means any certified product that has been produced and traded according to both the specific requirements for that product and the requirements in the relevant Fairtrade generic standards. A product can be considered a main or secondary product. A **main product** is the principal product that comes out of a production process. The term “production process” applies to both agricultural production and agro-industrial processing. The Fairtrade Minimum Price and/or Premium are paid on the main product. A **secondary product** is a product that comes out of a production process in addition to the main product. A secondary product can be directly consumed, used as an input in another production process, disposed of or recycled. A secondary product can be a by-product, a co-product or a residue. A **derivative of a secondary product** is a processed secondary product.

36. **Product Compensation** is defined as when a buyer buys a product from a non-certified producer or conveyer under ordinary conditions (non-certified), and wants to convert that product into a certified product by purchasing the equivalent quantity and quality from a certified producer at a later date, which is then used as a non-certified product.

37. **Product Standard** means a set of product-specific requirements that apply only to those operators that are trading in one or more of the products included in that standard.

38. **Promoting Body** (PB) is a term used by FLO within the context of contract production. It can be any legally established intermediary organization, either a trader (exporter/trader) or non-trader (NGO or private) which forms a partnership with the producers it contracts with. The promoting body provides the individual producers with a range of services, including support for organization. It may receive the Fairtrade Premium on behalf of the producers.

39. **Retroactive Certification** (or ‘retro-certification’) is defined as when a buyer has bought product from a certified producer or conveyer under ordinary conditions (non-certified), and wants to convert it into a certified product.

40. **Seller** means the operator that sells a certified product.

41. **Sourcing Plan** means an outline of the potential quantities and qualities likely to be purchased during the year or season.

42. **Subcontractor** means an individual or company that provides processing and/or manufacturing services on behalf of an operator but does not take legal ownership of the product.

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

44. **Transitioning ingredient** is an ingredient within a food composite product that is not fully sourced as Fairtrade, but has an agreed written plan for becoming 100% Fairtrade.

45. **Unfinished Product** is a licensed product that is not yet available to the retail or out of home sector.