FAIRTRADE
INTERNATIONAL

Interpretation Notes Fairtrade Trader Standard

Version 01.03.2015 v1.1

<table>
<tr><td>Date</td><td>May 18th, 2016</td></tr>
<tr><td>Reference</td><td>Trader Standard</td></tr>
<tr><td>Affected standard requirement(s)</td><td>4.8.1. NEW Unfair trading practices
<table>
<tr><td colspan="2">Applies to: All traders</td></tr>
<tr><td>Core</td><td>Fairtrade does not accept unfair practices that clearly damage producers’ or other traders’ capacity to compete or the imposition of trading conditions on suppliers that would make it difficult for them to comply with Fairtrade standards. There are no indications that you engage in such practices.</td></tr>
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<tr><td>Interpretation</td><td> Are traders, at /or beyond the price and premium payer, allowed to buy Fairtrade products from their suppliers / sell to their customers below the Fairtrade Minimum Price (FMP)[1] and Fairtrade Premium?
No, they are not allowed. Fairtrade products can never be bought or sold below the FMP and Fairtrade Premium, for the following reasons:
Fairtrade’s goal to “make trade fair” requires that fair and sustainable trading practices are applied throughout the whole supply chain. Fairtrade expects all operators in the supply chain to take into account the FMP and the Fairtrade Premium in their price structure.
First, Fairtrade defines in the requirement 4.8.1 as an unfair practice “the imposition of trading conditions on suppliers that would make it difficult for them to comply with Fairtrade standards." Examples of such practices mentioned in the guidance to the requirement include “Excessive transfer of costs or risks to its counterpart such as demanding prices below costs”. This includes putting pressure on suppliers by demanding prices that are below the supplier’s cost of buying the Fairtrade product, which is, at a minimum, the Fairtrade minimum price and Fairtrade Premium.
Secondly, unfair practices that “clearly damage producers’ or other traders’ capacity to compete” include selling Fairtrade products below the cost of buying them from producers, being, at a minimum, the FMP[1] and Fairtrade Premium. </td></tr>
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[1] In the case of Fairtrade organic products, the Fairtrade Minimum Price is the Fairtrade Minimum Price for organic products, or the Fairtrade Minimum Price plus the organic differential as applicable.

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Version 01.03.2015 v1.5 and relevant product standards

Date	***February 20th, 2019***
Reference	***Trader Standard and relevant product standards***
Affected standard requirement(s)	**4.4.1 Pre-financing Fairtrade contracts** **Applies to:** First buyers **Core** — You **pre-finance** the payment of the Fairtrade contracts, or facilitate that this is done via a third party, to enable small producer organizations to purchase the products from their members. You do not have to follow the requirement if: • there is a proven high risk (e.g. risk of default of the contract, of non-repayment or of important quality problems); • the producer declines this pre-finance in a verifiable way; or • this is not legally allowed in the country you are operating in. You **do not put** pressure on the producer to decline your offer of pre-finance, for instance, you do not make it a condition for signing a contract that the producer declines the pre-finance offer. *Please see product standards for specific details.*
Interpretation	***In the Trader Standard, the onus to offer pre-finance is on the trader while in some product standard, it says that producers may request pre-finance. Which standard should be followed?*** With the review of the Trader Standard in 2015, the onus to offer pre-finance was changed to the trader. Since then, not all product standards have been revised accordingly (coffee, fibre crops, herbs, herbal tea and spices, nuts, oilseeds and oleaginous fruit, prepared and preserved fruit and vegetables, and tea) and the relevant requirement in those product standards still states that pre-finance has to be made available upon request of producers. In this case, the Trader Standard overrules the product standards that have not been revised yet, so it is the responsibility of the trader to offer pre-finance. The percentage of pre-finance that needs to be offered is stated in the product standards (60% in most cases). As the responsibility to offer pre-finance is now with the trader, the percentage is understood as “at least 60%”, and not “up to 60%” as previously when producers had to request pre-finance. Fairtrade International will close this gap as it reviews each of the product standards for SPO and HL.

Version 01.03.2015 v1.6

Date	***September, 4th 2019***
Reference	***Trader Standard***
Affected standard requirement(s)	**Physical traceability** **Intent**: To ensure that Fairtrade products are physically differentiated from non-Fairtrade, so that Fairtrade products sold as physically traceable can be traced back to producers. The following requirements are compulsory for all traders except for cocoa, cane sugar, fruit juice and tea (camellia sinensis), for activities carried out under the FSI model for cotton[2] after ginning stage and for traders operating under the Gold Sourcing Program. Those traders can choose whether or not to apply physical traceability. If they choose to apply physical traceability, they must comply with the following requirements. Other products are not exempted from physical traceability requirements regardless whether trading under the FSI model or not.
Interpretation	***Fruit juice is excepted from the requirements on physical traceability, what about pulp?*** Juice manufacturing involves a big amount of processing and requires important investments in machinery and knowledge in food industries engineering and quality. This is why most Fairtrade juice or pulp producers do not own the processing premises and juice is produced by independent manufacturers. Fairtrade producers may find it difficult and expensive to contract or sell their fruits to juice manufacturers that ensure that Fairtrade juices remain physically traceable. Enforcing physical traceability in fruit juice compromises the aim to maximize benefits to producers, as producers need to hire the services of a juice manufacturer if producers intend to diversify and add value to their fruit production by making juice. The FAO defines juice as “the fluid expressed from plant material by crushing, comminuting and pressing. It can be clear, cloudy or pulpy. Juice is classified as puree, if the resulting consistency is fluid that pours very slowly, or pulp if it pours even more slowly”. **Fruit pulp is therefore treated as juices and is also exempted from the requirements on physical traceability.** Voluntary physical traceability is possible, should the trader wish to do so.

[2] For cotton, this refers only to activities from spinning stage onwards in supply chains under the FSI model. Ginners must comply with physical traceability requirements.