

# FAIRNESS FOR FARMERS

*A Report Assessing the Fair Trade  
Movement and the Role of Certification*



## ACKNOWLEDGMENTS

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The analysis and conclusions are Fair World Project's and may not reflect the opinions of reviewers or analyzed programs.

## MISSION

Fair World Project (FWP) educates and advocates for a just global economy where:

- People are treated fairly with dignity;
- The environment is respected and nourished;
- Commerce fosters sustainable livelihoods and communities in a global society based on cooperation and solidarity;
- Fair market opportunities and fair government and trade policy defend and support the contributions of farmers, workers, and artisans to our global society;
- Marketing claims have integrity and promote entire supply chains and support dedicated brands that put people before profits.

# TABLE OF CONTENTS

Executive Summary .....	5
Introduction.....	6
Scope of Conclusions and Recommendations .....	6
Threats to Small-Scale Farmers.....	8
Brief History of Fair Trade .....	10
The Role of Certification and Verification .....	12
Evaluated Programs.....	14
Small-Scale Production and Product Labeling .....	18
Auditing and Traceability.....	22
Economic Opportunities for Producers.....	24
Long-Term Trading Relationships.....	28
Commitment to Workers .....	30
Environmental Protection .....	34
Equity, Democratic Organization, and Capacity Building .....	36
Conclusion and Recommendations .....	40
Small-Scale Farmers Feed the World Fact Sheet.....	46

## TABLES

TABLE 1: Basic Program Information.....	16
TABLE 2: Definitions and Labels.....	20
TABLE 3: Traceability and Auditing.....	23
TABLE 4: Fair Payments .....	26
TABLE 5: Long-Term Relationships.....	29
TABLE 6: Wages and Conditions for Workers.....	32
TABLE 7: Environmental Criteria.....	35
TABLE 8: Equity, Democratic Organization, and Capacity Building.....	38



# EXECUTIVE SUMMARY

*This report looks at the role that certification can play within the larger fair trade movement of ensuring fairness to farmers and addressing power imbalances in the economy.*

The power in global supply chains is tipped in favor of those who already have size, wealth, and power. Small-scale farmers, artisans, and workers are typically marginalized and disempowered in this system. Small-scale farmers, the focus of this report, face many threats including land grabbing, unfair trade agreements, lack of government and technical support, low and volatile prices, uneven wealth distribution, corporate control of the food system, and climate change.

Fair trade describes a global social movement with the goal of shifting power in supply chains. Fair trade can also describe specific products that meet specific standards related to fair trade principles including fair payments, safe working conditions, transparency, and environmental stewardship.

This report looks at the role that fair trade certification and verification programs can play within the larger fair trade movement of ensuring fairness to farmers and addressing power imbalances in the economy. It also compares the details of six labeling schemes.

Fair for Life, the Fairtrade System, Naturland Fair, and Small Producer Symbol are all recommended without qualifications. World Fair Trade Organization's Guarantee System is also recommended, though with some qualifications. Fair Trade USA is identified as a program to approach with caution.

Consumers, retailers, and institutions that wish to engage in the fair trade movement can support the strongest labeling initiatives as well as advocacy campaigns that benefit small-scale farmers.

## INTRODUCTION

Global trade favors those already in power—businesses, governments, and the largest players at any stage of the supply chain whether large-scale farms, factory owners, or mega-corporations. In conventional supply chains, producers—the bottom of the chain—generally lack negotiating power and small-scale producers are further marginalized within the production sector since they are competing against bigger and better-resourced producers.

Fair trade is a term that describes a global social movement, brands that are dedicated to the movement, and specific products that meet standards of a fair trade labeling program. As a movement, fair trade unites producers to address power imbalances in supply chains, builds political power, connects producers and consumers in solidarity relationships, and creates marketplace initiatives.

As a label, fair trade is a widely recognized term that consumers associate with fair pay and fair treatment for marginalized farmers, artisans, and workers. One survey estimates fair trade awareness in the U.S. is 58% and the percentage of the population making fair trade purchases is about 25%.<sup>1</sup> In the UK and parts of Europe, recognition is as high as 80% and most consumers associate the label with helping farmers and workers get out of poverty.<sup>2</sup>

There are many different fair trade certification and verification labels in the marketplace and all have different standards and eligibility requirements for producers and brands. While initially fair trade labels indicated ingredients produced by organized small-scale producers in the Global South, many certifiers have now applied standards to large farms, unorganized farmers of all scales, and farms in the Global North.

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### *All fair trade labels only capture one aspect of the fair trade movement.*

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All fair trade labels only capture one aspect of the fair trade movement. As a marketing tool, labels do not incorporate the political action leading to a more just economy that happens at local and international levels within the broader fair trade movement. Fair trade standards only cover what happens in specific supply chains and fair trade labels only convey a claim regarding the final product.

The broader fair trade movement advocates for sustainable agriculture systems, fair trading terms, and favorable policies and support systems for all small-scale farmers as well as agricultural workers. Some standard-setting organizations also engage in advocacy work outside of the standard-setting process and labeling compliance, while others focus only on the impact of the standards and labeling scheme itself on producer groups.

This report looks at the role that fair trade certification and verification programs can play within the larger fair trade movement to ensure fairness to farmers and address power imbalances in the economy. It also compares the details of six labeling schemes.

## SCOPE OF CONCLUSIONS AND RECOMMENDATIONS

This report focuses on smallholder farmers in the Global South. It outlines some of the struggles they face then looks at the role that certification, verification, and labeling may play in supporting smallholders seeking market access, capacity building, and fair trading terms. Finally, it analyzes which certification and verifications systems making claims of fair trade are strongest.

The report does not evaluate:

- Programs intended primarily to benefit farmers in the Global North such as Agricultural Justice Project's Food Justice Certified.
- Benefits to farmworkers by these same certification programs or other certification programs. Our earlier report *Justice in the Fields* evaluated certification programs intended to benefit farmworkers.
- Membership organizations that do not include a third-party audit even if they allow a membership logo and fair trade claim to be placed on a product, as does the Fair Trade Federation.
- Eco-social labels that are not fair trade but are sometimes associated or confused with fair trade, for example Rainforest Alliance.
- Labels created by the company that uses it, for example Starbucks C.A.F.E. Practices.<sup>3</sup>
- Standards for apparel. Although the agricultural raw materials for apparel, especially cotton, may be covered by standards evaluated here, most programs have separate standards to trace ingredients through ginning, spinning, weaving/knitting, and finishing that we do not evaluate in this report.
- Handicraft products. Fair trade also incorporates many handicraft products. Most handicraft products are not certified and many certifiers do not certify these products due to the complexity and expense. Fair trade labels were launched by small-scale farmers into global markets as a way to distinguish fair trade commodities from their conventional counterparts on the supermarket shelf and the focus of certification, and this report, is agricultural products and not fair trade artisan products.

The World Fair Trade Organization is a membership organization whose members include craft producers and its Guarantee System label may be used on these products. However, because most ingredients and products carrying certified fair trade labels more broadly are agriculture-based, we focus only on these products in this report. For the World Fair Trade Organization, we consider only how its verification program is applied to farmers and agricultural products.

The next section outlines some of the challenges small-scale farmers face globally.

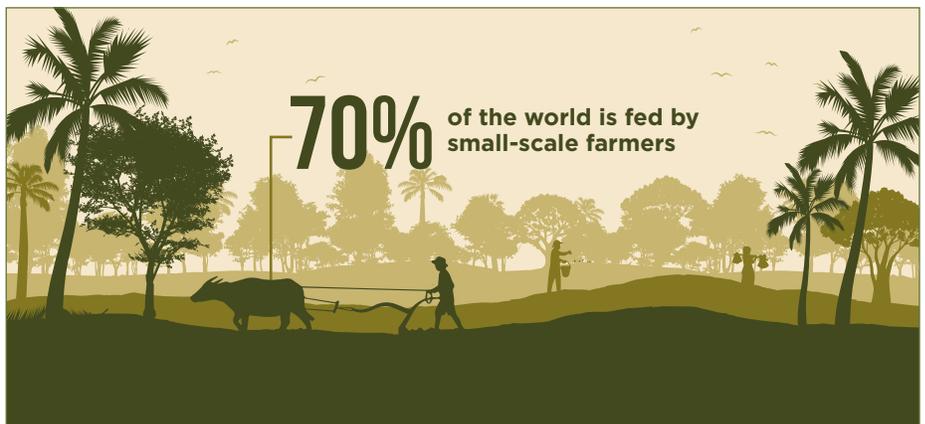




# THREATS TO SMALL-SCALE FARMERS

*Small-scale farms are vital for the economy, food security, and the environment.*

Smallholders are an integral part of our global food system. 380 million smallholder farming families in the Global South produce over 70% of food (as measured by total calories) consumed globally. They do this while farming on just 30% of the Global South's agricultural land.<sup>4</sup> Worldwide, 84% of farms are 2 hectares (5 acres) or less. These very small farms represent just 12% of farmland globally.<sup>5</sup>



Small and family farms provide subsistence for the farmer owners, food for local communities, and, in some cases, jobs. Small, diversified farms also provide wildlife habitat and other environmental benefits like soil carbon sequestration. These farms are vital for the economy, food security, and the environment.

Yet smallholders are under tremendous pressure and face many obstacles in keeping their land and continuing to produce food.<sup>6</sup> Some key issues include:

- **Land Grabbing.** Governments, universities, private investors, and pension funds, mainly from the wealthiest nations, are buying fertile farmland from poorer nations whose local government officials often forcibly remove smallholders from homes and farmland to complete the sale. Over half of this land is taken from regions with serious hunger problems and most investors convert the land to industrial-style farms to grow commodity crops for export. Hundreds of millions of acres of valuable arable land have been taken from smallholders to benefit foreign investors in this way in recent years.<sup>7</sup> In the same parts of the world where land is taken by investors and corporations, there is often tremendous population growth and pressure for land. Farming families need access to more land, especially when land must be divided among multiple children to support the next generation.
- **Unfair Trade Agreements.** Global trade agreements are typically written by and for large multi-national corporations with the goal of increased profits. The most marginalized are excluded from the process and negatively impacted by the final agreements. A stark example is NAFTA, the North American Free Trade Agreement, which forced over one million corn farmers in Mexico to give up their land and caused another million plus agricultural workers to lose jobs.<sup>8</sup> World Trade Organization (WTO) trade rules as well as other global trade agreements all favor corporations and larger players. Investor-State Dispute Settlement (ISDS), for example, is a common trade mechanism that allows corporations to sue national or local governments if they believe labor, environmental, or health regulations harm the company's profitability, making it more difficult for governments to enact legislation that puts their citizens, including small-scale farmers, first.
- **Lack of Government and Technical Supports.** Agricultural subsidies tend to favor large-scale commodity farmers who focus on one or very few crops (i.e. farmers utilizing industrial mono-cropping methods). Globally, these larger farmers also have easier access to capital, credit, and support programs including agricultural extension services, access to relevant research, and training and business development assistance. Small-scale farmers not only lack such support, they must compete against larger farmers who have access to government, financial, and technical supports.
- **Low and Volatile Prices.** Although the share of the dollar captured by farmers varies by crop and region, farmers typically receive a small share of the food dollar while corporations capture most of the wealth. Even in the U.S., farmers get as little as 16 cents of every dollar spent on food, with the rest going to pay for transportation, advertising, and value-added or profit for other players in the supply chain.<sup>9</sup> Cocoa farmers in West Africa receive less than 10% of the price of a final chocolate bar.<sup>10</sup> Poverty wages among West African cocoa farmers are typical, with many farmers earning less than \$1/day, contributing to widespread child labor and deforestation in the sector as farmers try to expand production while keeping costs low.<sup>11</sup> Price volatility, that is rapid changes in prices farmers receive, further contribute to poverty and insecurity and make it difficult to plan.<sup>12</sup>
- **Uneven Wealth Distribution.** Uneven wealth distribution is not only a problem in the food system. Worldwide, eight billionaires own as much wealth as the poorest 3.6 million people.<sup>13</sup> The unfairness to farmers is not only that farmers receive low prices for products, but also that there is money in the food system that is unevenly distributed. While cocoa farmers subsist on \$1/day, the CEO of Hershey receives a salary of nearly \$14 million to run the \$7 billion megacorporation.<sup>14</sup> Hershey's net income for 2016 was \$720 million.<sup>15</sup> This dynamic is not unique to the chocolate industry. Starbucks purchased 461 million pounds of coffee at \$1.72/pound on average, for a total expenditure on coffee of \$792.9 million in 2014.<sup>16</sup> In the same year, Starbucks had net revenues of \$16.4 billion and returned \$1.6 billion to shareholders.<sup>17</sup> In other words, Starbucks paid more than twice as much to shareholders than to the hardworking coffee farmers who grow and harvest the coffee for the world's largest coffee chain. It is no wonder that many small-scale farmers, especially in the Global South, live in poverty and are themselves food insecure.
- **Corporate Control of Food System.** The top four seed companies control 60% of the U.S. seed sector. Just four companies control 80% of the corn sector. Just three companies roast 40% of the world's coffee and five companies control over half of the trade in coffee.<sup>18</sup> This type of consolidation is replicated throughout most of our food system and experts warn this limits fair competition and leads to high risk for abuse.<sup>19</sup> Corporate consolidation limits the power that farmers have in the food system because the large buyers control pricing structures. Corporate power extends beyond their own supply chains as corporate actors also have power to change laws, by using resources for political lobbying. This includes influencing trade laws to ensure their own profits even at the expense of small-scale farmers.<sup>20</sup>
- **Climate Change.** Climate change is already having a negative impact on small-scale farmers. Changing weather patterns bring unpredictability, new diseases and pests, and, in some cases, affect the crops that may be planted in certain areas. This makes farming even more risky and economically precarious. Farmers and farmworkers are also at increasing risk of heat-illness as temperatures rise.<sup>21</sup>

Millions of farmers worldwide along with their communities depend on these small farms and are at risk as long as they are threatened by corporate control of the food system, harmful or inadequate trade and agriculture policies, low prices, changing climate patterns, and land pressure.

# BRIEF HISTORY OF FAIR TRADE

*Producer empowerment distinguishes fair trade as a solidarity movement rather than charity.*

Fair trade is a social movement focused on improving terms of trade for the most socially and economically disadvantaged producers (farmers and handicraft artisans). Though the focus on small-scale production has been central to fair trade since inception, marginalized workers have also been part of the dialogue. In the last several decades, many certification systems have included good working conditions, no forced or child labor, and basic labor rights as set out by fair trade principles.<sup>22</sup>

The goals and values of the fair trade movement are met through both advocacy and market interventions. Organized producer groups and advocacy organizations have fought for land rights, seed rights, better international trade agreements, and other local and global policies to improve the position of marginalized producers.

Improving the terms of trade means not only that producers get a better deal and have better access to markets and resources, it means more power to advocate for and meet their own needs. Producer empowerment distinguishes fair trade as a solidarity movement rather than charity.

Producers have also secured market access through mechanisms to distinguish their products from conventional commodities, either through stores that only sell fair trade products or through labels that identify fair trade products in conventional retail outlets.

Availability of products labeled fair trade has grown tremendously in the last several decades. At the same time organizations such as the Fair Trade Advocacy Office in Europe have intensified advocacy efforts to change policies affecting all small-scale producers, whether directly involved in fair trade systems or not.

The modern fair trade movement began as a means to provide economic opportunities for handicraft artisans in the 1940s.<sup>23</sup> At that time it was known as alternative trade and handicraft products were sold primarily through dedicated shops. The focus of these alternative trade initiatives was reducing poverty and trading imbalances.

Throughout much of the Global South, small-scale producers have a long history of organizing to improve their communities. In the 1970s and 1980s, in Mexico and Central America, fair trade emerged as a term associated with the movement of small-scale producers working in solidarity with buyers in the Global North. The farmers were organizing not only to improve their communities, but also to capture more of the value of their products. By 1988 the first fair trade label appeared identifying agriculture-based products from farmers in this movement.

In the United States, the pioneering fair trade coffee company Equal Exchange is a good example of what fair trade embodies. The first coffee Equal Exchange imported, in 1986, was from Nicaragua during the U.S. embargo. Using a loophole in the embargo, they imported this coffee through a Dutch organization, as an act of solidarity with the farmers in Nicaragua who desperately needed access to international markets.<sup>24</sup>

The early vision of fair trade as small-scale and producer-led has been challenged by certification programs and companies that use fair trade more loosely to refer to any standards or initiatives that seek to eliminate exploitation from supply chains. This report indicates when labels fall short of the visionary and empowering version of fair trade that keeps small-scale, democratically organized producers at its core while also contributing to the fight for fairness for all.<sup>25</sup>





## THE ROLE OF

# CERTIFICATION AND VERIFICATION

*To truly address the needs of all small-scale farmers globally, a range of policy and market interventions will always be needed.*

Products carrying fair trade labels first emerged in the 1980s and in the last several decades, the number of products carrying a fair trade label has grown tremendously and competing labels making similar claims have emerged. Unfortunately, the proliferation of fair trade labels, along with other labels making eco-social claims, has led to confusion in the marketplace, even as it has increased consumer choice.

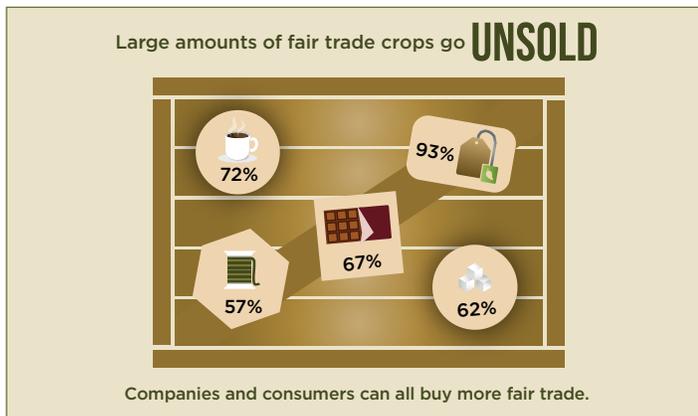
To carry a fair trade label, producers must meet a set of criteria covering environmental and social principles. Brands must buy from these producers and also meet criteria. Brands typically must commit to a fair price and premium for community development projects and must be able to track fair trade products and ingredients, sometimes physically and other times only through a paper trail. Ideally, these systems facilitate producers' access to new markets where they receive sustainable prices and also encourage long-term relationships between buyers and producers.

Fair trade verification can be a powerful tool that can be used to increase market access under improved terms for producers. Standards for verification can also be helpful as a framework to improving organizational capacity and efficiency. Yet certification and verification programs are not the only tool to meet the goals of the fair trade movement.

To give a sense of the scope of fair trade market initiatives, the Fairtrade System, the main global fair trade certification program, reports its 1.45 million participating smallholders farming 2 million hectares of land, almost half of whom sell fair trade coffee.<sup>26</sup> According to these numbers, only a tiny fraction (about 1/3 of 1%) of small-scale farmers globally participate in fair trade on a tiny fraction of the land, growing cash crops such as coffee, cocoa, cotton, rice, and produce.

Because of these limitations to fair trade as a market tool, policy advocacy will always be an important part of the fair trade movement. Advocating for land and seed rights, fair international trade rules, and other policies is vital for small-scale farmers whether they sell into global fair trade markets or not.

Within this context, we look at the effectiveness of six different certification and verification systems. There are differences in each labels' requirements for ensuring a fair price, building capacity for producers and producer organizations, and meeting consumer expectations regarding what "fair trade" means. This report looks at the details of six programs, identifies strengths and weaknesses, and makes recommendations both for programs to make improvements and for consumers, retailers, and institutions in making purchasing decisions.



For the farmers that do participate in these systems, fair trade has had a positive impact. According to fair trade producers themselves and several independent studies, fair trade has benefited farmers economically through increased incomes and communities through investments in infrastructure.<sup>27</sup>

Though millions of farmers have benefited from fair trade, a challenge to increasing the impact has been a lack of buyers. Many certified producers in the Fairtrade System do not sell all of their product on fair trade terms. Fair trade coffee farmers, who make up the largest and most-established group of fair trade producers, collectively sell 30% of coffee on fair trade terms. About 2/3 of eligible bananas are sold on fair trade terms, while less than 10% of tea is.<sup>28</sup>

Millions of farmers will never be eligible for fair trade because they do not sell into global supply chains. Many subsistence farmers grow food primarily for themselves and local markets. The threats and risks to these producers, including those outlined in the introduction, will not be addressed by a verification or certification program focused on access to international commodity markets. To truly address the needs of all small-scale farmers globally, a range of policy and market interventions will always be needed.

# EVALUATED PROGRAMS

Certification and verification programs to label fair trade products did not emerge until the 1980s. Early handicraft products were not certified; they were most often sold directly to consumers or through dedicated fair trade retailers. Fair trade labels and certifications were a later development and most certification labels still apply primarily to food and agriculture products.

This is changing to some extent and in recent years the World Fair Trade Organization, a membership organization of both craft and food producers, has introduced its Guarantee System label for use by all members. Both Fair Trade USA and the Fairtrade System have introduced factory apparel programs. Fair Trade USA's factory program includes sports balls. The Fairtrade System also certifies soccer balls as well as gold. Fair Trade USA has a fisheries program that is focused on small-scale fisheries and Naturland Fair includes aquaculture. Both the Small Producer Symbol and Fair for Life have opened their certifications to the potential for handicrafts.

The analysis in this report focuses on agricultural production and food products as the most common use of certification, but notes applications to handicrafts and apparel where relevant. The report focuses on the standards for small-scale farms, though most of the labels also have standards for large-scale farms, estates, and plantations where farmworkers are the intended beneficiaries. See our report *Justice in the Fields: A Report on the Role of Farmworker Justice Certification and an Evaluation of the Effectiveness of Seven Labels* for an evaluation of labels making claims to benefit farmworkers on larger farms.<sup>29</sup>

## THE SIX PROGRAMS EVALUATED IN THIS REPORT ARE:



**Fair For Life (FFL)** – Fair for Life Fair Trade is a label currently owned by Ecocert, based in Europe. Because of its strict brand eligibility criteria, it is used only by brands committed to fair trade and is found throughout the United States and Europe.



**Fair Trade USA (FTUSA)** – Fair Trade USA's Fair Trade Certified™ label is prominent in the U.S. but can also be found in countries outside the U.S. This was formerly the U.S. labeling initiative of the Fairtrade System, but resigned its membership in order to expand the scope of certification to additional groups of farmers and workers that were historically not able to participate in fair trade.



**Fairtrade System** – The Fairtrade System's Fairtrade Mark is the label of the largest fair trade network worldwide. It is governed by the global nonprofit Fairtrade International and administered by local labeling initiatives in different countries as well as producer networks in three regions. It is the most prominent fair trade label in Europe and can be found in other countries around the world including the U.S. and Canada.



**Naturland Fair** – Naturland Fair is an initiative of the farmer-owned Naturland based in Germany and was developed as a fair trade option for its certified organic entities. It is most prevalent in Germany, but is expanding into other parts of Europe as well as globally.



**Small Producer Symbol (SPP)** – Small Producer Symbol is a relatively new initiative created by farmers in Latin America and is the only label fully created for and by small-scale producers in the Global South. Producer members now include groups in Africa and Asia and the label can be found on products by brands committed to small-scale producer fair trade in the U.S., Canada, and Europe.



**World Fair Trade Organization (WFTO)** – The World Fair Trade Organization Guarantee System is a new initiative of this membership organization and was created as a way to give members a more affordable labeling option while holding members accountable to fair trade principles.

Of the six, four—the Fairtrade System, Naturland Fair, Small Producer Symbol, and World Fair Trade Organization—have significant producer ownership. This is important because intended beneficiaries do not see the full potential impact from a program without a seat at the table and a meaningful role in decision-making. Elizabeth Bennett's 2017 research into governance in voluntary certification systems highlights the importance of this.<sup>30</sup> She explains several positive outcomes that happen when the intended beneficiaries of a voluntary certification program—in this case small-scale producers—govern the program. She points out, first, that capacity of self-determination is a human right. At the practical level, if producers do not have the authority to make decisions at the highest level, it is a missed chance to advocate for what is truly needed to benefit them and there is a risk that other stakeholders (for example businesses) will be able to elevate their own needs and desires over those of the program's intended beneficiaries.

Fair for Life and Fair Trade USA do not have significant governance by producers. The lack of producer ownership and participation in highest levels of decision making increases the risk that these programs will be reduced to Corporate Social Responsibility or charity programs in which businesses decide on what terms they will reduce exploitation.

As mentioned in the introduction, the broader fair trade movement engages in advocacy work for policies to improve global terms of trade, limit corporate control in supply chains, and other policies that favor small-scale producers and workers. Some, but not all, standard-setting organizations engage in this type of advocacy in addition to managing the certification and labeling schemes. It is perhaps not a coincidence that of the six programs evaluated in this report, the four programs that are active in policy advocacy are the four programs owned and governed by producers themselves. WFTO and the Fairtrade System jointly initiated the Fair Trade Advocacy Office, an organization that advocates for trade justice and on behalf of fair trade producers and organizations and has been instrumental in the European Union recognizing and supporting the fair trade movement. Naturland Fair and Small Producer Symbol also advocate on behalf of farmers both locally and globally.



Fair trade has its roots in small-scale producer organizations and empowerment movements in low- and medium-income countries. As fair trade certifications have spread, some labels are now found on products from large-scale plantations, large apparel factories, and products from high-income countries. Small Producer Symbol is the only label restricted to small-scale organized producers in the Global South. All other labels allow larger and/or independent producers to participate in at least some situations. Fair for Life, Fair Trade USA, and Naturland Fair also certify some products from the Global North.

Fair trade’s pioneers were dedicated fair trade producers, traders, and retailers who strove to only trade fairly. Some certification programs have allowed brands to adopt some fair trade ingredients and product lines even if most of their offerings are conventional. The Fairtrade System and Fair Trade USA have opened certification up to any business, including companies like Dole and Nestlé that have significant histories of exploitation and abuse. In these systems, brands source from producers who meet standards, but the brands themselves are not certified.

Fair for Life, Small Producer Symbol, World Fair Trade Organization, and Naturland Fair require that brands carrying their labels conduct business ethically even outside of transactions involving certified products.

The policies of the Fairtrade System and Fair Trade USA reflect a different theory of change, proposing that producers are impacted no matter which brand purchases their products and that changing a brand’s behavior in small ways leads to further change. For example, FTUSA believes that excluding brands and companies with a negative history from participating in fair trade does not benefit small-scale producers or workers. Instead, FTUSA believes fair trade purchases by large players can immediately and directly benefit producers and workers and that large players may change practices throughout their supply chains by purchasing fair trade products.

However, by allowing brands with a history of human rights, labor, and environmental abuses to participate in fair trade, there is the risk of these brands benefiting from capturing niche markets of ethical consumers. Their participation also boosts brand credibility that may come with adoption of fair trade labels even though the vast majority of their business dealings are still done through conventional trading that includes significant exploitation. While this may provide some small benefit to a small number of producers, it does not transform the trading system. It also creates an environment in which brands that have higher business costs because they are paying fairly and practicing business sustainably as part of their business model must compete against brands that are cutting corners in some areas while still displaying a fair trade label for some products.

It may even be an obstacle to further change if activists stop asking for deeper transformation. Two examples of this are Hershey’s and Starbucks. For years, activists asked Starbucks, the world’s largest coffee chain, to switch to fair trade. At its peak, 8% of Starbucks’ coffee was fair trade, and now Starbucks claims 99% of its coffee is “ethically sourced” using its own in-house C.A.F.E. Practices standards, diffusing calls for true fair trade.

Similarly, for years activists asked Hershey’s to stop using exploitive chocolate in its iconic candy offerings, using the campaign tagline “Raise the Bar.” After Hershey’s committed to 100% “certified” cocoa, the campaign ended, despite the fact that not all of the certified cocoa will be fair trade and none of it is certified to the highest standards recommended in this report.

In short, FWP believes that without any prerequisites for brands, it is not only a missed opportunity to demand brands change practices, but also opens up potential for fairwashing as companies gain good PR from small amounts of fair trade product.

Table 1 summarizes basic program information including scope, governance, and eligibility for each.

**TABLE 1: Basic Program Information**

Program	Geographical Scope	Product Scope	Brand Eligibility Criteria	Label Ownership & Governance
<p><b>FWP Recommendations and Minimum Expectations</b></p>	Benefits associated with fair trade labels should be reserved for the most economically marginalized farmers who are often those in the Global South.	Fair trade is appropriate for any agricultural or handcraft product where primary production is completed by small-scale producers.	Any brand or company that has a history of farmer exploitation or labor, human rights, or environmental abuse should be required to mitigate and make amends before carrying a certification label for any product lines.	Programs should be owned and governed with intended beneficiaries having at least a 50% formal stake through direct participation and/or democratically elected representation.
<p><b>Fair For Life</b></p> 	Any geographical region where there are potential beneficiaries who are at a socio-economic disadvantage and in need of support.	Food, cosmetics, textiles, detergents, or home perfumes made from natural raw materials (crops, wild plants, livestock, beekeeping, aquaculture, sea salt, etc.) except those from mining or threatened or endangered species. Plus, artisan products that do not employ endangered species, non-recycled metallic materials, leather treated with harmful products, or parts of archaeological or historical monuments.	<p>Companies and any parent group have a commitment to ethical objectives with no practices inconsistent with standard’s core values and no proven and unmediated ethical or environmental violations in past ten years.</p> <p>✓ Clear requirements to address abuse and exploitation before carrying a label.</p>	<p>Fair for Life is owned by Ecocert. There is no formal farmer ownership or participation in governance.</p> <p>✗ Producers and workers and their representatives do not have ownership and do not formally have 50% appointed board seats.</p>

Program	Geographical Scope	Product Scope	Brand Eligibility Criteria	Label Ownership & Governance
<b>Fair Trade USA</b> 	FTUSA standards and label are globally applicable and intended to benefit both smallholder producers and farmworkers on all sizes of farms. Smallholder standards only applicable to small-scale farmers in the Global South.	Most plant-based agricultural products including those sold fresh or in a processed form are eligible. FTUSA has separate standards for apparel and home goods and wild-caught seafood.	✗ None.	<p>There is no formal farmer ownership or appointed governance position. In practice, producers have served on board and may give input on standards and policies.</p> <p>✗ Producers and workers and their representatives do not have ownership and do not formally have 50% appointed board seats.</p>
<b>Fairtrade System</b> 	Farmers in the Global South are included. Farmers in the European Union and G8 countries, and/or Global North are excluded.	Most plant-based agricultural products that are stand-alone products or found in packaged foods or cosmetics plus cotton fiber. There are separate standards for textiles, gold, and soccer balls as well as a separate climate standard for agriculture.	✗ None.	<p>Producer networks of Asia, Africa, and Latin America own 50% of the Fairtrade System and hold 1/3 of board positions.</p> <p>✓ Significant ownership and governance by farmers.</p>
<b>Naturland Fair</b> 	Farmers in any geographic region are eligible with economically disadvantaged regions favored.	<p>Any agricultural product including animal products for consumption. Also wild collection/harvest, beekeeping, fisheries, and aquaculture.</p> <p>✓ Open to any agricultural product with small-scale and local producers clearly favored in the production.</p>	<p>Operator must hold valid Naturland organic certification and proof of social responsibility toward employees. Bad actors are excluded. Businesses that have 70% of products certified can apply for an additional corporate certification.</p> <p>✓ Exclusion of bad actors and incentives for increased fair trade</p>	<p>Naturland is a farmer-owned association that has developed the Naturland Fair program.</p> <p>✓ Full farmer ownership.</p>
<b>Small Producer Symbol</b> 	Only farmers in the Global South are eligible.	Any plant-based agricultural product and beekeeping, plus crafts. Open to other products and also services upon request and review.	<p>Must comply with a code of conduct outlining ethical business practices applicable even outside fair trade purchases.</p> <p>✓ Clear requirements for ethical practices in all aspects of business.</p>	<p>SPP Global is a farmer-owned organization that owns the SPP. The board is composed of farmer representatives plus other stakeholders.</p> <p>✓ Farmer owned with balanced representation on board.</p>
<b>World Fair Trade Organization</b> 	Focus is on economically marginalized producers and workers especially in the Global South. Northern producers may also be considered in some circumstances.	The system is focused on member organization practices; there is no formal product scope.	<p>Must be a WFTO guaranteed member. Guaranteed members meet requirements that include a self-assessment, monitoring audit, and peer visit covering all aspects of business practices.</p> <p>✓ Clear requirements for ethical practices in all aspects of business.</p>	<p>Fully owned and governed by WFTO members and its democratically elected board. Members are producer, trader, retailer, and advocacy organizations with fair trade principles at core of mission and practices.</p> <p>✓ Member owned and governed.</p>

- ✓ Example of a model program or best practice
- ✗ Area in need of urgent improvement



## SMALL-SCALE PRODUCTION AND PRODUCT LABELING

*Small-scale, diversified farmers are vital to ecosystems and community food security.*

Small-scale producers are at a disadvantage in the global marketplace due to the challenges outlined in the introduction including loss of land due to land grabbing; unfair trade agreements; climate change; low prices; lack of credit, capital, market access, and technical support; and corporate control of the food system.<sup>31</sup>

Yet small-scale farmers play a vital role, both in their communities and in the global food and agriculture system. Small-scale, diversified farmers, especially those practicing agroecology, are vital to ecosystems and community food security. Converting land from small-scale production to large-scale production is a dangerous proposition. Small-scale farmers are more effective because they are able to produce a diversity of healthy foods using environmentally sustainable methods.<sup>32</sup>

Large-scale farming, in contrast, is associated with industrial agriculture models that rely on capital- and resource-intensive growing systems that include genetic engineering and chemical pesticides and fertilizers. These systems tend to produce commodity crops like corn and soybeans that go into processed food and animal feed or monoculture crops that require heavy doses of chemical pesticides and fertilizers. The result is unhealthy food that pollutes the environment and contributes to climate change.<sup>33</sup> These farms are often capital intensive and do not provide much-needed employment opportunities. When they do provide jobs, they are often jobs with poverty wages and dangerous conditions. Commodity crops grown on large-scale farms are often grown for export and not local consumption. Though this is true everywhere, it is a particular problem in some regions of the Global South where local communities are food insecure and need access to land to grow their own food.

The values-based and people-centered fair trade movement is aligned with other small-scale producer movements worldwide, for example the food sovereignty movement. Food sovereignty is the idea that communities should control their own food systems. The values of the food sovereignty movement are very much aligned with the fair trade principles, including democratic control, valuing producers and all people in the supply chain, and care for the environment.<sup>34</sup> Together these small-scale farming and producer movements address the rights of farmers to control their food systems locally as well as enter the global system of trade on fair terms.

## FOOD SOVEREIGNTY

“Food sovereignty is the right of peoples to healthy and culturally appropriate food produced through ecologically sound and sustainable methods, and their right to define their own food and agriculture systems. It puts the aspirations and needs of those who produce, distribute and consume food at the heart of food systems and policies rather than the demands of markets and corporations.”

*Declaration of Nyéléni  
The first global forum on food sovereignty, Mali, 2007*

Small-scale farmers who were organized in associations or cooperatives first used fair trade labels to gain access to markets since labels help consumers identify which goods were produced under fair trade terms.

However, many labels have opened up their programs to production at various scales. For producers, it is no longer necessary to be democratically organized to gain certification (an issue addressed in more detail below) and small-scale producers may find themselves again competing directly with larger producers who are using the same label for similar products. For consumers, it has become more difficult to identify small-scale producers' products.

Because this report focuses on standards and labels for small-scale producers, it is important to understand how each program defines “small” and also whether each program’s label is restricted to farmers who fit its own definition of small, or whether the label is also used for entities that meet other standards and criteria.

Additionally, most eco-social labels can be used on multi-ingredient products such as a chocolate bar or a box of cereal, but each program has its own definition for when the label can be used. Fair for Life, Naturland Fair, Small Producer Symbol, and World Fair Trade Organization all require at least half of the ingredients to be certified in a multi-ingredient product to use a label on the front of the package, while the Fairtrade System and Fair Trade USA require just 20% of ingredients to be certified.

Water and salt are typically excluded from the calculation of the percentage of ingredients certified. As an example, for a lemon iced tea, the percentage of tea, sugar, and lemon certified would be considered in determining the percentage of ingredients certified, even though water is the main ingredient.

For programs that include cosmetics and body care, which may include non-agricultural ingredients, the calculation may be different. For example, in the Fairtrade System some cosmetics may be certified with as little as 2% of total ingredients certified, but this calculation does include water, minerals like salt, and any other non-agricultural or synthetic ingredients or scents.

Even among agricultural products, some ingredients are not considered certifiable by some labeling programs. This may be because there are no standards developed. Some programs, for example, do not have standards for animal agriculture, including dairy. Most labels also do not certify commodities primarily grown in the Global North such as wheat. Therefore, key ingredients in some products, like the wheat in chocolate chip cookies or the milk in ice cream, may not be certified.

In addition to meeting the threshold for total ingredients certified, Fair for Life and the Fairtrade System both have a policy that if a specific ingredient can be certified it must be. In other words, a multi-ingredient product may carry a fair trade label without being 100% fair trade, but only ingredients like wheat and dairy, for which no standards exist, can be included without a certification. Any coffee, chocolate, sugar, quinoa, vanilla, rice, tea, and other ingredients that can be fair trade must be certified as fair trade or the label cannot be used.

Table 2 summarizes the definitions and restrictions related to small-scale producers as well as the labeling requirements for each label.

**TABLE 2: Definitions and Labels**

Program	Definition of Small	Is Label Restricted to Small-Scale Producers?	Labeling Requirements
<p><b>FWP Recommendations and Minimum Expectations</b></p>	<p>“Small” should be clearly defined and at a minimum exclude farms that are relatively well-resourced and take up a disproportionate amount of land. To ensure marginalized producers benefit, farms should be smaller than average based on size for region and/or type and/or have a lower profit margin than average for region or type.</p>	<p>Distinct labels for small-scale producers ensure marketplace advantage and give consumers clear opportunities to support small-scale producers.</p>	<p>At least 50% of a composite product should be certified if a fair trade label is used. Ideally, non-certified ingredients meet a minimum threshold of social standards even when not certified and all ingredients that can be certified are. Blending of certified and non-certified ingredients (for example a coffee blend featuring coffee from different regions, some of which is certified and some not) should not be labeled.</p>
<p><b>Fair For Life</b></p> 	<p>Hiring fewer than five permanent workers and fewer than 25 workers at any given time by a single entity whether one site or multiple sites. Considering legal entity or individual owner ensures that an individual or company who owns many small production sites is not considered to be the same as an individual who only has a single small farm.</p>	<p>No. The criteria are different for each operation size, but the label on the final product is the same. Entities that hire fewer than 25 permanent and fewer than 80 workers at any time, including temporary and seasonal workers, are considered medium and all other situations are considered large. However, smallholders are prioritized and larger operations can participate only if they do not cause unfair competition with smaller operations. Special caution is exercised with plantations that produce ingredients typically produced by smallholders.</p>	<p>For food, at least 80% of agricultural ingredients must be certified. For cosmetics and detergents, at least 70% of ingredients excluding water, salt, and minerals and 10% of total product must be certified. All ingredients that can be certified must be and there can be no blending certified and non-certified versions of the same ingredient.</p> <p>For lower thresholds of certified ingredients, a label can only be used on the side or back and ingredient(s) certified must be clearly identified.</p> <p>✓ High threshold of certified ingredients required.</p>
<p><b>Fair Trade USA</b></p> 	<p>Hiring five or fewer permanent workers and no more than 25 total workers at any given time on-site at a management unit (i.e. facilities under the same management whether or not they are at the same site). Considering the management unit level ensures that an individual or company who owns many small production sites is not considered to be the same as an individual who only has a single small farm. Size is determined on a farm-by-farm basis so that medium- or large farms that are part of a farmer cooperative must meet medium- or large-scale requirements.</p>	<p>No. The criteria are different for each size, but the label on final product is the same.</p> <p>Farms and facilities with 6-25 permanent workers and no more than 100 total workers at a management unit at any given time are considered medium and farms or facilities with more workers are considered large.</p> <p>✗ No size restrictions or consideration for protecting small producer markets.</p>	<p>Fair Trade USA has several different label options. For use of the “Fair Trade Certified” label, 100% of ingredients are certified. A “Fair Trade Certified Ingredients” label may be used where a minimum of 20% total ingredients (by dry weight) are certified and where 100% of any specific ingredient is certified. Tea, cocoa, coffee, and quinoa, when included, must always be certified, but other ingredients do not need to be. There can be no blending of certified and non-certified coffee and 100% of single ingredient products need to be certified.</p> <p>✗ Labels allowed at low threshold.</p>
<p><b>Fairtrade System</b></p> 	<p>For less labor-intensive products, farm work is done primarily by owner. For labor-intensive products like cane sugar, fruits, vegetables, and tea the farm must be owners’ main source of income and farm must be at or below regional average in size. In addition, Fairtrade sets limits on number of hired workers by crop and region. For example, a banana farmer in the Dominican Republic may hire 1.5 workers per hectare up to a 10-hectare farm. A wine grape farmer in Brazil, Chile, and Argentina may have a farm as large as 13 hectares with 2 total workers. Half of members must fit the definition of small if a farmer organization is to be evaluated under small producer standards.</p>	<p>Coffee, cocoa, cane sugar, honey, cereals (e.g. rice and quinoa), nuts, seeds, and cotton, which are dominated by smallholders, can only come from small-scale producers. Other crops (notably tea, flowers, and bananas) may come from larger scale plantations.</p>	<p>For food products, at least 20% of ingredients by dry weight must be certified. For cosmetics, the threshold is lower and may be defined by national markets. In all cases, ingredients that can be certified must be.</p> <p>The only exception to the rule that all ingredients that can be fair trade must be is when brands use the Fairtrade Sourcing Program. In this case an alternative, though similar, label is used.</p> <p>✗ Labels allowed at low threshold. The Fairtrade Sourcing Program label is similar enough that it may cause consumer confusion. (Updates to the Fairtrade Sourcing Program, including revised labels, due in Spring 2018.)</p>



The Fairtrade System’s Fairtrade Sourcing Program allows a company to focus on only sugar, cocoa, or cotton and use a similar but alternative logo on products.

Program	Definition of Small	Is Label Restricted to Small-Scale Producers?	Labeling Requirements
<b>Naturland Fair</b> 	<p>Though smallholders take priority in this scheme, there is no exact definition for smallholder. Certifiers do consider the average sizes and income levels for each region as well as whether agriculture is main source of income and family main source of labor when considering eligibility.</p> <p>✘ No clear definition of small-scale.</p>	<p>Smallholders take priority. Plantations may be eligible for certain products that are not available from smallholders.</p>	<p>For composite products, label can be used when more than 50% of ingredients by weight, excluding water and salt, are certified. In addition, all ingredients that can be certified must be. For single-ingredient products, all must be certified.</p> <p>✓ High threshold of certified ingredients required.</p>
<b>Small Producer Symbol</b> 	<p>A co-op (or other farmer organization) must have 85% of units that are 15 hectares or less in production (1 hectare for indoors). The other 15% can be up to double in size. In most cases, the certified production unit is operated primarily with family labor or through community exchange labor. In some specific products and regions there are additional specific criteria. As examples, for bananas 100% must be less than 10 hectares, for herbs 100% of farms must be under 1 hectare, and for quinoa all farms must be under 3 hectares in Ecuador and 10 hectares in Bolivia.</p> <p>✓ Clear definition designed to identify disadvantaged producers within different sectors and contexts.</p>	<p>Only smallholder products are eligible for certification.</p> <p>✓ Clear focus on small-scale producers.</p>	<p>Product label can be used when at least 50% of ingredients by weight, excluding water, are used.</p> <p>✓ High threshold of certified ingredients required.</p>
<b>World Fair Trade Organization</b> 	<p>Not defined.</p> <p>✘ No clear definition of small-scale.</p>	<p>Member organizations must be committed to fair trade and must focus on economically-marginalized producers.</p>	<p>Only WFTO members may use the label. To be a member, at least half of organization's trade must be fair trade. For use of product labels, 50% of that product must be fair trade and everything that can be fair trade must be fair trade.</p> <p>✓ High threshold of certified ingredients required.</p>

✓ Example of a model program or best practice  
✘ Area in need of urgent improvement



# AUDITING AND TRACEABILITY

*Standards are only as strong as their enforcement.*

Standards are only as strong as their enforcement. Voluntary certification relies on third-party audits. A neutral third party is one that did not set the standards and does not license use of the label. This third party evaluates an entity's compliance with the standards based on a review of papers as well as site visits that typically include interviews of producers or workers. Through this process, an auditor verifies that all standards are met including, among others, that the minimum price is paid, that the fair trade premium is used for community development projects chosen democratically, that no prohibited chemicals are used, and that there is no child labor on farms.

For audits to be effective, auditors should be trained in the specific system they are evaluating, be fluent in relevant local languages, and understand the sector/industry and local culture. They should also be free of conflicts of interest or perceived conflicts of interest. That is, the auditor should not have a financial stake or tie to the farm or brand that may lead them to ignore non-compliances.

Fair trade inspections typically cover the farm and early stages of processing. In most cases, the products or ingredients that have been certified must be segregated from non-certified products that may be similar or processed in the same facilities. This ensures that the labeled products or ingredients are the exact products that were certified and are traceable to the final labeled product.

However, some programs allow substitution in certain cases, typically through mass balance. Mass balance is the system that allows labeling of the same volume of product as is certified, even if the labeled product is not the same exact product that was certified. This is common in chocolate. As a simplified example, a brand may purchase 100 pounds of certified fair trade cocoa. This needs to be processed. The processing factory may not be able to keep the 100 pounds of certified cocoa physically separate, so it is combined with 900 additional pounds of conventional cocoa and processed together. The brand then receives 100 pounds of cocoa from the 1,000 processed, which they can then label as certified even though in reality it was mixed with non-certified product of equivalent quality in processing, so that the final product may not have any of the actual fair trade cocoa in it.

Mass balance in the fair trade system is a symptom of consolidation in the agriculture system. A group of small-scale producers may not have the capacity to process cocoa or sugar themselves and may rely on a large processing plant to do this for them. Most brands that are committed to fair trade and small-scale producers will not use mass balance even if they are permitted to. Mass balance makes it easier for less committed brands to buy fair trade in the short term. However, many advocates believe that allowing mass balance

to continue indefinitely inhibits capacity building opportunities for small-scale producers. In addition, there are concerns that allowing mass balance in fair trade goes against the vision of a truly transformational and transparent system. A final concern about mass balance is that consumers are not necessarily getting what they believe they are buying. This may be relevant to consumers who buy chocolate for its intangible attributes, such as greater fairness for the farmer who grew it, and for its tangible attributes, such as the reduced pesticide use required by fair trade. As a reminder, although most fair trade certifications do not mandate organic certification, all do include a list of prohibited pesticides and other environmental criteria that conventional producers may not adhere to, so mixing the products through mass balance is not mixing equivalent ingredients and most often means mixing with conventional.

Table 3 summarizes each program’s policies regarding auditor qualifications, auditing process, and traceability.

**TABLE 3: Traceability and Auditing**

Program	Traceability Requirements	Auditing Requirements	Auditor Qualifications
<b>FWP Recommendations</b>	Physical traceability should be ensured. In the case where this is impossible, labeling should be clear and transparent.	On-site inspectional audits should include interviews with farmers. Ideally, unannounced audits are an option if there is a history or high risk of noncompliance.	Auditors should be linguistically and culturally competent, understand the sector and region, be free from conflicts of interest, and receive training specific to the program.
<b>Fair For Life</b> 	Physical traceability must be ensured except when a temporary exception is made due to extraordinary circumstances. ✓ Physical traceability is required.	Annual on-site audits are conducted and are typically announced. Follow up audits based on noncompliance or complaints may be unannounced.	Auditors are regularly trained on the scheme and inspection methods. Qualification, experience, language, gender, and other characteristics are considered when assigning an auditor. Conflicts of interest must be declared by auditors annually. All auditors are required to regularly update their knowledge on local legislation and sector-specific issues.
<b>Fair Trade USA</b> 	Products must be segregated and physically traceable except for processing of cocoa, cane sugar, juice, and tea, for which mass balance is permitted. ✗ Mass balance allowed for some products.	Annual on-site audits are conducted and some unannounced audits are conducted based on risk. Compliance is assessed using document review, interviews, and field observations. ✓ Unannounced audits based on risk are routine.	Auditors must have knowledge of sector and local laws. Auditors must also speak the appropriate language and have no potential conflict of interest. Auditors must complete training on FTUSA standards and practices, observe an audit by an approved auditor, and be observed by an approved auditor as part of training.
<b>Fairtrade System</b> 	Products must be segregated and physically traceable except for processing of cocoa, cane sugar, juice, and tea for which mass balance is permitted. ✗ Mass balance allowed for some products.	Annual on-site audits are conducted with some unannounced audits conducted based on risk. ✓ Unannounced audits based on risk are routine.	FLOCERT, Fairtrade International’s independent auditing subsidiary, requires auditors to be multilingual and culturally aware. FLOCERT is accredited by the International Standard Organization (ISO), which ensures auditors are independent and the process is transparent.
<b>Naturland Fair</b> 	Full physical traceability must always be ensured due to Naturland organic certification of the entire product chain. ✓ Physical traceability is required.	The annual on-site audit is announced. Unannounced spot checks must be carried out on 10% of certified bodies annually. Additional audits may be ordered if there is a strong suspicion that violations have occurred. ✓ Unannounced audits are routine.	Naturland only collaborates with ISO 65 accredited inspection bodies. Cultural and linguistic competence of auditors is required and auditors must undergo training by auditing organization, including one-on-one training, and a session with a Naturland staff person.
<b>Small Producer Symbol</b> 	Products must be physically traceable. ✓ Physical traceability is required.	Annual audits are conducted, with paper audits two out of three years. On-site audits take place every third year and are always announced.	Certifiers must have auditors living in the region they will certify.
<b>World Fair Trade Organization</b> 	Fair trade organizations must buy from fair trade producer groups. Fair trade producer groups must develop a sourcing plan that prioritizes fair trade or sustainable materials. Physical traceability down to the raw ingredient level is not mandated.	Peer reviewers (from another member organization or another person with knowledge of fair trade) and professional auditors alternate in conducting on-site audits. WFTO recognizes most other fair trade certification schemes as verification of the third-party audit requirement.	Auditors must be knowledgeable about fair trade, economic issues, and labor issues, must be culturally sensitive, and have ability in local language(s). Auditors must go through a training course culminating in a webinar and test audit.

- ✓ Example of a model program or best practice
- ✗ Area in need of urgent improvement

## ECONOMIC

# OPPORTUNITIES FOR PRODUCERS

*Fair trade seeks to provide better economic opportunities through guaranteed minimum prices that cover the cost of production and allow a dignified livelihood.*

Many of the world's farmers live in poverty. Cocoa farmers in West Africa, who receive just pennies for each dollar spent on chocolate, and have very small plots of land, may live less than \$1/day.<sup>35</sup> Millions of children work in the cocoa sector in West Africa because families cannot afford to send their children to school and cannot afford hired labor due to low prices.

Cotton farmers in Africa also typically farm small plots of land. With so many stages before cotton reaches a final product, farmers lack negotiating power or control over value addition through the supply chain. The ability to capture value added is a struggle for many farmers. For example, a berry farmer that can process berries into jam can earn more than one who sells berries to a jam processor, but not all berry farmers have the ability to make jam. The ability to capture value usually requires additional capacity or capital (in this example, jam-making equipment).

Cotton farmers face challenges when attempting to capture added value from their crops since the processing of cotton into a final product is such a long and complex process. Even the first stage, ginning, requires a huge capital investment that most small-scale farmers cannot make. In addition, cotton subsidies for farmers in wealthier countries, including the United States, make it very difficult for these farmers to compete profitably in the global market. Small-scale farmers in non-subsidized countries must pay the true cost of production and therefore cannot accept the lower prices that may work for larger, subsidized farmers.<sup>36</sup>

Coffee farmers also struggle to earn a sustainable income and are notoriously subject to volatile commodity prices.<sup>37</sup> Prices often dip below the cost of production so that farmers cannot sell their coffee for as much as it costs to grow it.<sup>38</sup>

Fair trade seeks to provide better economic opportunities through guaranteed minimum prices that cover cost of production and allow a dignified livelihood. A fair and sustainable price keeps producers and any workers they employ out of poverty and allows for investment in the farm. Conventional market prices often fall short of a fair and sustainable price. Fair trade prices must not rely only on the market, but must guarantee cost of production including adequate income for the farmers and any hired workers with some profit left to reinvest in their farm.

Fair trade agriculture typically also includes a community development premium, that is, an extra amount paid by the buyer that goes to the farmer cooperative or association to be used for community development projects such as schools or infrastructure to benefit the whole community. This fund is democratically administered by the producers. A democratically-administered development premium allows producers to invest in their communities, improving the economic position of producers, their families, and communities. Companies, whether fair trade or not, may also make charitable contributions to communities they source from. This is different from and cannot replace the fair trade premium because what distinguishes the fair trade premium is that it empowers communities to decide for themselves how it is used through a democratic process. On the other hand, if farmers only have democratic control over a premium fund and are not part of a democratically-run organization, that is not sufficient to meet the values of democratic control that is a central value of fair trade.



All programs except WFTO include a fair trade premium. The fair trade premium is less common among craft production and the majority of WFTO members are craft producer groups. However, there is no specification that agricultural producer groups should receive a premium in this program. WFTO members voted to focus on payment of a fair price and felt that a premium is not necessary when a fair price is paid, and that in fact a premium may amount to charity while a fair price reflects a fair trading system.

The section below on democratic organization discusses the importance of democratic decision-making throughout the organization, including but not limited to premium fund administration.

**TABLE 4: Fair Payments**

Program	Price	Premium	Pre-Financing	Producer Negotiating Power
<b>FWP Recommendations</b>	Price should cover cost of production including living wages for both farmers and workers and provide profit to reinvest in the farm.	In addition to price, a democratically-administered premium should be included.	Affordable pre-financing should be offered by buyers if requested or needed by producer.	Producers should have a voice in negotiating prices and payments with buyers, ensuring they are truly fair.
<b>Fair For Life</b> 	Producer groups establish a fair trade floor price based on cost of production and use that to negotiate with buyer. Prices should be 5% higher than market average; for organics, price should be 10% higher. ✓ Prices above market average that cover cost of production.	In general, the fair trade premium is set at 5% of producer operation sale prices or 10% of individual producer sale prices, but this is negotiated between producer organization and buyers. The fund is democratically administered.	Up to 50% pre-financing provided to small producer groups upon request. Zero interest is recommended but interest must be equal or better to terms partner receives. ✓ Pre-financing at or below cost of providing.	Producers are empowered to negotiate prices with buyers based on cost of production. ✓ Producers encouraged to negotiate based on cost of production.
<b>Fair Trade USA</b> 	Higher of set minimum or market price. FTUSA relies on minimum prices set by Fairtrade International and farmers not also part of that system may not have direct input into prices nor be guaranteed above a market price.	Premium is democratically administered to benefit producers and their workers. It is paid per volume of product sold, according to pre-determined rates set by commodity and ranges from 3-15%.	Up to 60% pre-financing provided upon request. Interest charged may not exceed cost of providing it and conditions must be transparent and agreed to. ✓ Pre-financing at or below cost of providing.	Though producers and their co-ops often do not negotiate prices directly, the goal of FTUSA is to give producers training so that producer organizations may negotiate directly with buyers if they choose. Producers must have clear and transparent contracts with buyers.
<b>Fairtrade System</b> 	Higher of set minimum or market price. Producer groups within the Fairtrade System provide input on, help establish, and approve the minimum prices for commodities and regions at the general assembly. ✓ Producer input in setting prices.	Premium must be used to benefit small-scale producers, their families, and workers in accordance to formal plan as democratically determined by the general assembly of the small-scale producer organization. Premium can be a set amount or a percentage of price and is generally in the range of 5-15% of price paid by buyer.	At least 60% pre-financing is provided or facilitated according to needs as identified by producer at no or low interest and fees. ✓ Pre-financing at or below cost of providing.	Minimum prices are set by the participating producer groups and approved by the general assembly. Individual producer organizations that have the capacity may also negotiate prices through contracts. This system ensures producers have a voice in setting overall minimum prices, but because it also requires general assembly approval for changes, it may not provide the flexibility to meet the real needs of producer groups in all contexts.

Ideally, fair trade also provides the space for farmer associations to negotiate fair prices with buyers based on their individual needs and not only to rely on the more generic minimum guaranteed price.

Small-scale producers often lack access to financial services and capital. Fair trade programs typically require buyers to offer or secure pre-financing for producers. Because the cost of obtaining credit is high, often in the form of extraordinary interest rates, most programs further require that fees to producers for pre-financing do not exceed the true cost to the buyer of providing it.

Table 4 summarizes prices, premiums, financing, and price negotiating power criteria for each program.

Program	Price	Premium	Pre-Financing	Producer Negotiating Power
<b>Naturland Fair</b> 	<p>Buyer must pay at least local average cost of production plus 10%. Where they exist, established international fair trade minimum prices must be respected. If neither is available, 10% above the average local market price must be paid.</p> <p>✓ Prices above market average that cover cost of production.</p>	<p>For producers in economically-disadvantaged regions, established international fair trade premium amount or a negotiated amount of at least 10% of the FOB price of the agricultural raw material, unless otherwise agreed to. The fund is democratically administered.</p>	<p>Producers in economically-disadvantaged regions can request pre-financing of up to 60%. Interest charged cannot exceed cost of providing financing.</p> <p>✓ Pre-financing at or below cost of providing.</p>	<p>Trading partners must invest in producer organizations in economically disadvantaged regions; goal is for producer organizations to represent their own needs. Cooperative determination of prices is required.</p> <p>✓ Producers encouraged to negotiate based on needs.</p>
<b>Small Producer Symbol</b> 	<p>Set minimum price, called the Minimum Sustainable Price, or market price plus SPP incentive and organic premium if applicable. Sustainable price is defined as covering cost of production including dignified livelihood for producers and any workers.</p> <p>✓ Prices cover cost of production including dignified livelihoods.</p>	<p>A fair trade premium is paid in addition to price. The premium rate is reviewed every two years, along with price, with input from producers.</p>	<p>If requested, buyer must offer 60% pre-financing. Interest rate not specified.</p> <p>✗ No requirement regarding interest rate charged.</p>	<p>Minimum prices are not negotiable but producer groups are encouraged to negotiate a price above the minimum price.</p>
<b>World Fair Trade Organization</b> 	<p>Prices are mutually agreed upon based on sustainable livelihoods with transparent information about costs and profit margins (continuous improvement with benchmarks at year two).</p> <p>✓ Prices set through mutual agreement and transparency</p>	<p>Not required. Members viewed a premium as charity and voted to focus on ensuring a fair payment instead.</p>	<p>Upon request 50% pre-financing offered at free or reasonable interest, never more than the cost of borrowing. No interest for handicraft producers.</p> <p>✓ Pre-financing at or below cost of providing.</p>	<p>Prices are determined through a transparent negotiation between producer and buyer.</p> <p>✓ Producers encouraged to negotiate based on cost of production.</p>

- ✓ Example of a model program or best practice
- ✗ Area in need of urgent improvement



# LONG-TERM TRADING RELATIONSHIPS

*Long-term trading relationships are a good business practice that is mutually beneficial for brands and producers.*

Long-term trading relationships are an essential principle and characteristic of fair trade. Long-term relationships allow producers the stability and security to continually reinvest in their farms and businesses.

Through a long-term commitment with good communication, a producer group has information about future needs and expectations of the buyer and can plan accordingly. This can be mutually beneficial good business practice since it also allows the brand to invest in its supply chains and improve quality.

Long-term relationships are also a way that buyers and producers can share risk. Farming is always a high-risk business. Too much rain or too little, a single bad storm or weather event, plant diseases, and pests are just some of the factors that can adversely affect yields, often significantly. Conventional brands may buy ingredients where they are available, often for the lowest price possible. Farmers who suffer significant setbacks in a given year may find themselves left out of the market that year and may struggle to survive into the next season. Brands that have entered into long-term trading relationships with specific producer groups, in contrast, share the risk with the producers. In a year of low yields or a bad harvest, the brand shares in the burden of short supply and may also make the financial investments necessary to improve the future supply. For example, many small coffee farms have been devastated by la roya, or leaf rust, in recent years. Coffee roasters with long-term commitments to farms have helped with the purchase of disease-resistant coffee plants or other projects to help farmers recover from the devastation la roya has caused.

Beyond maintaining current commitments, some programs require buyers to increase their commitment to purchase fair trade certified ingredients. This commitment may be filled by increasing the amount purchased from current producers or by increasing the range of ingredients or products purchased under fair trade terms. Fair for Life, Naturland Fair, and Small Producer Symbol all have strong requirements for brands to increase fair trade purchases in some way. This long-term commitment by buyers expands the market for small-scale producers allowing them to thrive.

Table 5 summarizes each program's requirements regarding long-term relationships.

**TABLE 5: Long-Term Relationships**

Program	Purchase Commitment Requirements	Contract Duration	Additional Requirements
<b>FWP Recommendations</b>	Buyers should maximize purchases of fair trade products and ingredients from small-scale producers.	Contracts between buyers and producers should extend beyond a single growing season and should be renewed unless there is legitimate cause and notice given.	Buyers should continuously work to build capacity of small-scale producers.
<b>Fair For Life</b> 	Buyers must document their strategic plan for increasing purchases of fair trade ingredients. If buying the same ingredient in fair trade and non-fair trade forms from the same supplier, fair trade volumes need to be increased within three years.  ✓ Strong requirement to increase certified purchases.	Three-year contracts are recommended and contracts must at least make a clear commitment to a long-term relationship. Termination mechanism and dispute mediation must be included. Any early termination must be justified.  ✓ Strong, specific long-term contracts required.	Brand holders and trading partners must keep a regularly updated fair trade strategic plan outlining long-term commitment to current and future smallholder suppliers.
<b>Fair Trade USA</b> 	None  ✗ No commitment to increase purchases or provide transparency about future needs.	There must be a contract outlining terms.  ✗ No specific contract requirements related to long-term trading relationships.	None. Fair Trade USA attempts to address long-term commitment through its business development program, which facilitates relationships between buyers and producer groups, rather than through standards or requirements.  ✗ No formal requirement to increase commitment to small-scale producers.
<b>Fairtrade System</b> 	Though there is no requirement for increasing purchases, there must be transparency about future needs through a sourcing plan provided by buyer to seller.	There must be a contract outlining terms and ensuring equal termination rights for both sides. A documented two-year commitment is recommended as a voluntary best practice.	None.  ✗ No formal requirement to increase commitment to small-scale producers.
<b>Naturland Fair</b> 	The goal is 100% Naturland Fair certified raw materials and companies must prioritize raw ingredients from local or small-scale farmer organizations.  ✓ Strong requirement to increase certified purchases.	Long-term commitment from buyers is a goal that is achieved primarily through the requirement that processors must buy from Naturland organic certified producers.	All certified entities must have an Organic and Fair Trade Policy and implementation strategy outlining fair trade goals and producer support. Small-scale producers from economically-disadvantaged regions or local ingredients are always prioritized with purchases. Producer members must use their closest source of certified fair ingredients so as to support organic communities everywhere in culturally appropriate ways.  ✓ Commitment to continual improvement and prioritizing small-scale producers.
<b>Small Producer Symbol</b> 	Buyer must commit to 5% total purchases from SPP sources with continuous improvement to increase to 25% of total product line certified by SPP.  ✓ Strong requirement to increase certified purchases.	Buyers must work to maintain long-term relationships that provide small-scale producer families with a dignified livelihood.	Buyers must commit to a code of conduct that includes a commitment to prioritizing small-scale producers.  ✓ Commitment to continual improvement in prioritizing small-scale producers.
<b>World Fair Trade Organization</b> 	Buyers should always prioritize purchasing fair trade ingredients. All participants are members committed to buying fair trade.  ✓ Strong requirement to only purchase fair trade ingredients.	Long-term commitments are maintained and trading relationships are not stopped without notice and reason.  ✓ Notice must be given to terminate relationship.	Where possible, efforts should be made to increase the value or diversity of products to benefit producers and suppliers.

✓ Example of a model program or best practice  
 ✗ Area in need of urgent improvement

# COMMITMENT TO WORKERS

*Fair trading terms should allow producers to pay workers fairly as well.*

Small-scale producers often employ primarily family labor or participate in labor exchanges with neighbors. However, many small-scale producers hire workers for all or part of the year. As shown in Table 2, most programs consider producers small-scale even when several workers are hired, which is especially necessary in labor-intensive crops or at certain points in the crop cycle.

Although the primary intended beneficiary of the programs evaluated here is the producer, fair trading terms should allow producers to pay and treat any workers fairly as well. The focus of this report is only on farms. Labor requirements here refer to farm labor, not labor in processing and manufacturing stages.

Some requirements typical of standards for large-scale farms are too difficult or costly for small-scale farmers to meet, for example requirements for formal written employment policies or formal paid training for professional development. However, many requirements are accessible to farmers at any scale, for example allowing any workers the right to freedom of association. It is these requirements that are the focus of this section.

Many small-scale farmers rely on family members to work on farms. This sometimes includes children. It is generally recognized that it is acceptable for children to work on a family farm since it allows them to learn valuable skills and allows the family farm to function. However, farm work, even on a family farm, should not interfere with education or development and children should be protected from hazardous work.

Table 6 outlines the requirements for farmworkers on farms certified under small-scale producer standards.



**TABLE 6: Wages and Conditions for Workers**

Program	Workers Covered	Wages
<b>FWP Recommendations</b>	All workers should be explicitly covered by standards, including temporary, seasonal, and contract workers.	Living wages should be an explicit goal. If living wages are legitimately not possible, there should be a plan, based on transparent information, to increase prices to cover living wages.
<b>Fair For Life</b> 	Standard requirements must be met for all workers. However, on farms that do not have a significant number of workers, some standards of protection do not apply.	Legal minimum wage must be met. For small entities, a living wage is not required but small farms that do pay living wages are awarded extra credit points. <sup>39</sup>
<b>Fair Trade USA</b> 	All workers are included in standards protection. All permanent workers on small farms are also included in the democratic decision-making around premium use. Seasonal workers are protected by standards but not included in premium use decisions.	Wages must meet or exceed legal minimum or applicable collective bargaining agreement wage, whichever is higher, with plan in place by year 6 to make progress toward living wage. If piece rate is used, calculation must be transparent. Farmers must also understand what living wages are.
<b>Fairtrade System</b> 	Permanent, temporary, subcontracted, field, processing, and administrative workers all included. However, on farms that are not judged to have a significant number of workers, some standards of protection do not apply.	Wages must start no lower than legal minimum and gradually rise to be greater than higher of legal minimum or regional averages. Piece rates must be set transparently and workers must agree rates are fair. This applies only to those entities with a significant number of workers, the exact number set by certifiers and determined partly by risk.  ✘ Living wages for workers is not a stated goal.
<b>Naturland Fair</b> 	All workers are covered, including seasonal and temporary workers on all farms and larger processing units.	Legal minimum wage must be met and any collective bargaining agreements respected.  ✘ Living wages for workers is not a stated goal.
<b>Small Producer Symbol</b> 	Temporary, migrant, and permanent workers are all specifically covered by standards.	Not specified.  ✘ Living wages for workers is not a stated goal.
<b>World Fair Trade Organization</b> 	All, including contract, seasonal employees, and those who work from home.	Producers must pay at least the prevailing local wages or legal minimum wages, whichever are higher.  As continuous improvement, must strive to pay living wages.

	Child Labor	Protection from Accidents/Injury	Freedom of Association
<b>FWP Recommendations</b>	Young children under 15 outside of the immediate family should not be employed. Children's social, emotional, physical, and educational needs should be ensured.	Work should be safe for producer and any workers.	All workers on any size farm or production unit should have freedom of association and the ability to advocate for their own needs.
<b>Fair For Life</b> 	Children younger than 15 or legal age, whichever is higher, cannot be employed. Work for children younger than 18 cannot interfere with school, development, health and safety. Accumulated time for work, school, and transportation cannot be more than 10 hours daily.	Workers are trained in risk management. Vulnerable workers are offered alternative work. Machinery and equipment are maintained and protective equipment provided to workers.	Right to freedom of association is recognized and must be respected.
<b>Fair Trade USA</b> 	Children younger than 15, legal age, or age of compulsory schooling, whichever of the three is highest, cannot be employed. Children under 18 cannot perform work that jeopardizes health, safety, education, or emotional and physical development. Starting at year three, a documented mitigation plan must be implemented for high-risk situations.	Risk assessment and prevention, personal protective equipment, and well-maintained and safe machines and equipment are required. Training of small-scale producers and workers on workplace risks and how to avoid them, correct use of protective equipment, and hazards of pesticides is required. Workers and farmers participate together in an Occupational Health and Safety Committee. Some criteria not required until years 3-5.	Right to freedom of association is recognized and must be respected.
<b>Fairtrade System</b> 	Children younger than 15 or legal age, whichever is higher, cannot be employed. Work for children younger than 18 should not risk health, safety, or school attendance. For high-risk situations, producer groups are encouraged to address root causes of child labor through fair trade plan and in partnership with relevant authorities and procedures must be developed to mitigate risk.	Health and safety training, paid protective equipment, and other measures to reduce health and safety risks are required for operations with a significant number of employees as defined by the certification body and which may vary by region or situation.	Right to freedom of association is recognized and must be respected.  Where a significant number of workers is employed, a democratic workers' organization should be encouraged.
<b>Naturland Fair</b> 	Children younger than 15 should not be employed. Work should be age-appropriate and not jeopardize moral, social, or physical wellbeing. Children must be supervised by an adult.	Health and safety training is required for those doing dangerous work; vulnerable workers are not given dangerous work. First aid kit on site and "adequate" protective equipment required, certified entities must have a health and safety policy specific to the site and risks.	Right to freedom of association is recognized and must be respected.
<b>Small Producer Symbol</b> 	Local laws and UN Conventions should be respected regarding hiring children. Close family members may work as long as it does not jeopardize physical, mental, ethical, or educational development.	None specified.  ✘ No stated requirements.	Not explicitly stated, but covered by UN Conventions which must be met.
<b>World Fair Trade Organization</b> 	No children younger than age 15 to be employed. For children ages 15-17, work must not jeopardize health or interfere with school.	Risk assessment must be made and safety risks addressed. Fire hazards, safe machinery, and other safety concerns must be addressed to reduce risk.  (These requirements are not immediately required, but a plan must be in place to meet key criteria within two years.)	Freedom of association must be respected.

- ✓ Example of a model program or best practice
- ✘ Area in need of urgent improvement

# ENVIRONMENTAL PROTECTIONS

*Strong fair trade standards coupled with strong soil standards, organic agriculture, and strong animal welfare criteria can support the transition to the regenerative organic agriculture system that we need.*

For farmers to continue to farm, it needs to be economically profitable, but must also be environmentally sustainable. Many advocates believe that agriculture that does not at least meet organic standards cannot be considered fair because conventional agriculture relies on toxic chemicals and capital-intensive practices that harm people and the environment. Unfortunately, though all fair trade standards do incorporate some environmental criteria, most fall far short of organic. Naturland Fair is the one exception as it was developed as a fair trade option for farms that are already certified organic. Other fair trade programs typically include an additional premium when products are organic which does help to pay for any additional labor costs associated with organic production.

Genetically modified organisms (GMOs) are excluded from organic production and are also typically excluded from fair trade production. GMOs are patented seeds that the developer holds the rights to. This means that farmers do not hold the rights to the seeds and cannot save seeds from season to season but must buy new seeds each year. The traits most GMOs are modified for also represent additional hazards to the environment, for example crops that are modified to withstand herbicides, which leads to increased application of toxic herbicides. GMOs and systems built for them deny farmers rights to seeds, require financial resources to acquire and additional resources (such as herbicides) to use, and are associated with environmental damage.

Of the labels analyzed in this report, only WFTO does not explicitly prohibit GMOs. Several programs have strong policies that expand beyond just the certified ingredient. SPP prohibits GMOs from inputs, the Fairtrade System prohibits GMOs in the entire operation not only the certified crops, and FFL excludes GMOs from both certified and non-certified crops, as well as GMOs from animal feed and non-certified ingredients in composite products.

## **The food and agriculture system contributes to climate change in many ways:**

- *Tree clearing to expand agricultural land*
- *Methane emissions from livestock*
- *Chemical fertilizer manufacturing and transportation*
- *Food processing and transportation, including refrigeration*
- *Methane emissions from food waste*

The current climate crisis is the biggest environmental challenge of our time, and farmers are on the front lines. Farming is always risky and precarious, but changing weather patterns bringing too much or too little rain, unpredictable temperatures and seasons have made it more so. At the same time, industrial agriculture contributes up to a third of global greenhouse gas emissions.<sup>40</sup> In this context, sustainable farming methods are even more important.

Ideally, production systems go beyond sustainable and are regenerative, that is, they increase biodiversity, improve watersheds, and capture carbon from the atmosphere, storing it in the soil. Drawing down carbon from the atmosphere mitigates climate change and storing it in the soil increases soil fertility. Strong fair trade standards along with strong soil standards, organic agriculture, and strong animal welfare criteria can support the transition to the regenerative organic agriculture system that we need.

Table 7 summarizes how each program addresses pesticides, fertilizer use, soil erosion, carbon sequestration, climate change, seed issues including genetic engineering, and water use.

**TABLE 7: Environmental Criteria**

Program	Pesticides	Fertilizers / Soil	Climate Change	Seed Issues Including GMOs	Water
<b>FWP Recommendations</b>	Ideally, toxic chemicals are not used as pesticides, and pests are instead controlled by other means. At a minimum, pesticide use should be below conventional averages, exclude the most toxic chemicals, and take precautions to minimize risk to health and environment.	Chemical fertilizers should not be used. Instead, soil fertility should be built up using other means that also control and prevent erosion. Ideally, farms are able to sequester carbon while building soil fertility.	Climate change risks and mitigation should be addressed since small-scale farmers are already feeling its effects.	GMOs have no place in fair trade systems and should be explicitly prohibited.	Producers should have access to and protect available clean water sources.
<b>Fair For Life</b> 	Producers are knowledgeable about integrated pest management, reduce use of agro-chemicals, and avoid those on a prohibited list. A three-year plan to move to more sustainable practices or organic certification is required. ✓ Organic is goal and continuous improvement mandated.	➤ Producers are knowledgeable about building soil fertility. Synthetic fertilizers cannot be sole method of increasing soil fertility. Erosion is controlled.	➤ Operation knows rough quantity of energy and fuel used and there is no evidence of wasted energy. Renewable energy use and carbon sequestration are not required but a producer earns higher scores for implementing.	No GMOs can be used on the farm, including as animal feed. GMOs must be excluded from all multi-ingredient products. ✓ Exclusion of GMOs in animal feed.	➤ Operation roughly knows source and quantity of water used and no evidence of wasted water. Natural waterways and drinking water must be protected.
<b>Fair Trade USA</b> 	➤ Producers implement at least one integrated pest management practice and can demonstrate pesticides are only applied when needed. Drift and exposure minimized. Lists of prohibited and restricted pesticides maintained.	➤ Practices to reduce soil erosion are implemented. Fertility monitoring encouraged as best practice.	Climate change is addressed indirectly as an objective of other environmental criteria and is a recommended focus for both premium fund investment and ongoing capacity building training.	No GMOs allowed but only applies to crops under the scope of fair trade certification.	➤ Source of water is known and is used efficiently. Buffer zones around water bodies are required. Direct discharge of waste water is forbidden.
<b>Fairtrade System</b> 	Producer organization must provide training to members on integrated pest management and harms of pesticides. Must ensure all workers and farmers use protective equipment and use pesticides only when proven necessary, seek to reduce use, and follow established safety guidance Lists of prohibited and restricted pesticides maintained.	➤ Fertilizer use should correspond with crop needs. Measures to restore soil fertility must be documented, and producer organization must provide training in preventing soil erosion.	➤ Must keep records of energy use and practices to reduce greenhouse gas emissions and sequester carbon. The Fairtrade System also has a separate, optional climate program.	No GMOs allowed in certified crops. No parallel growing of GMO and non-GMO varieties even if GMOs are not intended for fair trade market. ✓ Inclusion of non-certified crops on farm in GMO policy.	➤ Producer organization must provide training on sustainable water use and measurement. Waste water must not have negative impact.
<b>Naturland Fair</b> 	Organic certification to Naturland organic standards is a prerequisite. These standards are higher than EU organic standards and include additional requirements in areas such as water management and animal welfare. Nearly all synthetic pesticides are prohibited under organic standards. ✓ Strong organic standards and additional environmental criteria must be followed.				
<b>Small Producer Symbol</b> 	Must not use pesticides on prohibited list anywhere on farm, even for crops not certified, and must avoid toxins harmful to people and environment, even in production of non-certified product. List of specifically prohibited substances is less restrictive than other schemes. ✓ Inclusion of toxin standard for non-certified crops on farms.	➤ The stated intent is for farmers to demonstrate care for soil erosion, meet organic or equivalent practices and focus on carbon capture capacity. However, there is a lack of timeline or specific criteria to measure this. ✗ No specificity in standards or deadline for compliance.	➤ Must demonstrate practices that combat and mitigate climate change. ✗ No specificity in standards or deadline for compliance.	GMOs are prohibited as well as inputs developed from GMOs. ✓ Inclusion of inputs as part of GMO policy.	➤ Demonstrated care in water management and protection of groundwater required. ✗ No specificity in standards or deadline for compliance.
<b>World Fair Trade Organization</b> 	Producers should strive to use organic or low pesticide methods. ✗ No specificity in standards or deadline for compliance.	➤ Prevent contamination of soil as continuous improvement. ✗ Soil fertility and erosion not addressed.	Not specifically addressed but members are required to minimize environmental impact. ✗ No specificity in standards or deadline for compliance.	Not addressed. ✗ No stated requirements.	➤ Must prevent contamination of water.

- These requirements are part of continuous improvement
- ✓ Example of a model program or best practice
- ✗ Area in need of urgent improvement



## EQUITY, DEMOCRATIC ORGANIZATION, AND CAPACITY BUILDING

*Democratic organizations are an essential element of fair trade.*

Equity, democratic organization, and capacity building are core values of the fair trade movement. Democracy distinguishes fair trade from charity and Corporate Social Responsibility (CSR) models that are driven by those already in power. Democratic organization allows all participants in the system to have a voice. By organizing and acting together, producers who are otherwise marginalized and excluded from decision-making in both the marketplace and political spheres are able to achieve more than they could individually and begin to shift the balance of power.<sup>41</sup>

We generally recognize that democratic governments are ideal because they allow individuals a vote and voice in their own circumstances. This concept extends beyond government to non-governmental organizations. Consumers who join a local natural foods cooperative have a vote in business decisions and may run for the board of directors.

This all applies to small-scale farming structures as well, but in addition there are many practical reasons that it makes sense for farmers to form cooperatives or other democratic associations. By joining together, they can take advantage of economies of scale and better compete in the global marketplace alongside larger entities. This includes everything from jointly accessing credit and services, to combining products to fulfill a purchase order, to investing in capital and infrastructure.<sup>42</sup>

In the same way, democratically-organized farmers can join together to exercise political power and advocate for changes on a local, national, or even international level more effectively than an individual farmer. Fair trade is about empowering the most marginalized and shifting balances of power through both market initiatives and political change. Thus, democratically-organized structures, including farmer cooperatives or associations, are an essential element of fair trade.

In recent years, some programs have dropped the requirement that producers need to be democratically organized. This is in line with the trajectory of fair trade being reduced to a CSR program, which eliminates some of the worst forms of exploitation in supply chains without addressing and shifting the balance of power.

Democratic participation is important at the producer level, but also within the certification scheme itself since it is important for participants to have a strong voice in the programs intended to benefit them. FFL and FTUSA are the only programs that do not have farmers and their representatives in formal ownership or governance roles.

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Fair for Life, Fair Trade USA, and World Fair Trade Organization all allow independent farmers that are not organized to participate and become certified. Naturland Fair and the Fairtrade System allow independent farmers to participate in some circumstances, but require buyers and exporters to help producers gradually take over more responsibilities as they build the capacity of the farmer group.

Whether or not producers are required or encouraged to form democratically-run organizations, most programs require democratically-elected and -run committees for specific functions, such as administration of the fair trade premium for development projects. These committees can provide vital functions to help the organization function effectively and provide opportunities for producers to play a direct role in the organization, but should not be a substitute for the producer organization itself being democratically organized with the general assembly its highest authority.

In addition, to support small-scale producers and help build capacity, fair trade standards may include additional requirements, such as requirements for buyers to support or facilitate training opportunities for producers. This type of capacity building is another way that power imbalances in supply chains and the global marketplace can begin to shift.

To achieve equity, many programs also address other power imbalances, such as gender equity. Women in agriculture produce much of the world's food, over half by some estimates, but do not have the same opportunities as men. Women have less access to land and are often prevented from owning land due to discrimination, cultural norms, or laws. Women also have less access to credit, inputs, and markets than men. Women are often prevented from full participation in organizations and are less often represented in leadership positions.<sup>43</sup>

At a minimum, most certification programs audit the practices of certified entities to ensure women are not discriminated against and are offered full participation. Fair for Life, the Fairtrade System, and World Fair Trade Organization encourage entities to develop plans or programs to improve the social and economic position of women.

Table 8 summarizes each program's approach to capacity building, democratic organization, and gender equity.

**TABLE 8: Equity, Democratic Organization, and Capacity Building**

Program	Democratic Organization	Democratic Committee Requirements	Gender Equity	Training and Capacity Building
<b>FWP Recommendations</b>	Ideally, farmers are organized into democratically-run cooperatives or farmer associations so that together they can access markets and services and advocate for change in ways that individual farmers cannot.	In addition to membership in a cooperative or farmer association, democratically-elected committees including a board and/or fair trade committee gives farmers a stronger voice in the structure.	Because women are often marginalized, steps should be taken to ensure they have equal access to benefits and equal participation.	Ideally, specific training or other programs help build capacity of the organization and individual producers.
<b>Fair For Life</b> 	Farmers may choose alternative forms of organization as long as the producers' interests are adequately represented.	Premium fund decision-making body is either elected by a general assembly or through a delegation system. Managers or fair trade partner representatives may also be on the committee, but cannot hold a majority or veto right and should be advisors not decision makers.	Women, including wives involved in production, are not excluded in practice.  Certified entities are encouraged but not required to set up programs to improve social and economic position of women.	➤ If there are disadvantaged groups within producer organization, special programs are set up to improve participation and position.
<b>Fair Trade USA</b> 	Farmers may be organized in an association or be independent if they chose not to organize for any reason or are unable to. FTUSA staff provides support to producers who wish to organize, and the standard protects their right to do so. In any case, a general assembly of producers and workers meets to discuss fair trade updates and make decisions on premium use.	The Fair Trade Committee, tasked with managing the development premium, must be democratically elected and representative of beneficiaries. There must be other democratic committees such as occupational health and safety.	No gender discrimination is allowed, including in pay and participation. There must be representative gender diversity on the Fair Trade Committee.	Producers receive training and support in financial literacy, income diversity, and other business skills, as well as training on environmental practices. Fair Trade Committee receives additional training.
<b>Fairtrade System</b> 	In general, only organizations of small-scale producers can be certified. In some situations, farmers have a transition period to establish independent democratic organizations.  ✓ Strong support of democratically-organized farmers.	General assembly must be highest decision-making body with all members receiving one vote. The board must be freely elected and accountable to membership.  ✓ General assembly is highest authority with board democratically elected from assembly.	There must be no gender discrimination. Programs must be developed to benefit disadvantaged members, including women.	Training related to environmental criteria must be provided.  ➤ As continuous improvement, paid training on workers' rights must also be provided.
<b>Naturland Fair</b> 	Farmers may be organized, individual smallholders, or in some cases individual large farms. Self-organized producer groups are encouraged and a general assembly of workers or producers is required. Unorganized farmers must gradually take on responsibilities of an independent smallholder organization.  ✓ Strong support of democratically-organized farmers.	A democratically-elected committee must administer the premium fund. The most disadvantaged members should have priority in deciding how premium funds are used. Management may be part of the committee, but may not have a voting majority.	Gender equity must be considered for the formation of the fair trade decision-making body.	Farmers receive an initial training course and are offered additional trainings in organic agriculture at least annually. Producer organizations must receive strategic and organizational support.
<b>Small Producer Symbol</b> 	SPP works only with organized producer groups.  ✓ Strong support of democratically-organized farmers.	The general assembly of producer members must be highest authority with a democratically-elected board to carry out assembly decisions.  ✓ General assembly is highest authority with board democratically elected from assembly.	➤ Activities to promote equal participation and decision-making are encouraged.	If organization cannot export on its own, it should sell to another small producer organization that can export products, thus strengthening the small producer sector.
<b>World Fair Trade Organization</b> 	Although producers are typically organized into groups, this is not required, nor is there a requirement for them to be democratically organized.  ➤ Participatory decision-making is encouraged as a continuous improvement requirement.	None.  ✗ No requirement.	Each organization must have a plan to promote gender equity and access to resources. Women receive equal pay for equal work by year two if not already done.  ✓ Gender equity actively promoted.	➤ There is a clear plan to build capacity for members. Opportunities are identified for the most disadvantaged members.

➤ These requirements are part of continuous improvement  
 ✓ Example of a model program or best practice  
 ✗ Area in need of urgent improvement



# CONCLUSION & RECOMMENDATIONS

*It is possible to have a just agriculture system based on small-scale agroecology that supports farmers, consumers, health, and the environment.*

Fair trade seeks to shift the balance of power in trading relationships, building capacity for those traditionally marginalized, especially small-scale producers in the Global South and economically marginalized regions, to improve lives and circumstances. To reach these goals, the fair trade movement advocates for political change at the local, national, and international level.

The fair trade movement also engages in market initiatives that help producers access new markets, consumers identify ethical products, and hold all stakeholders in the supply chain accountable to fair trade standards.

The six labels evaluated in this report each take a different approach and implement different standards and policies for fair trade. Although each has areas of strength and elements that could be improved, we recommend five out of six of these labels. Fair for Life, the Fairtrade System, Naturland Fair, and Small Producer Symbol are all recommended without qualifications.

World Fair Trade Organization's Guarantee System is also recommended, though with some qualifications. The Guarantee System is not a typical certification scheme but rather a verification program for members. Membership is restricted to producers, companies, and retailers that are committed to fair trade. The Guarantee System is based on verification by peer reviewers as well as outside auditors. Eligibility requirements are high and the verification program is innovative, yet some standards lack the specificity and rigor of other certification and labeling programs. The Guarantee System aims to bring committed organizations into fair trade even when they cannot afford typical certifications.

Fair Trade USA is identified as a program to approach with caution. Although standards in some areas are adequate, it is a model program in only a few areas and has significant weaknesses in several others.

The danger of allowing a weaker program to make similar fair trade claims is that it potentially hurts credibility of all labels and there is also a danger that all programs lower standards to the lowest common denominator to attract participants. We saw that in 2016 when Fair for Life proposed to lower the threshold of certified ingredients needed to use a fair trade label to just 20%, matching the low thresholds of Fair Trade USA and the Fairtrade System. Fair for Life has since abandoned that proposal and has maintained high standards in that area.

Less rigorous labels making similar claims as stronger programs hurts the credibility of all labels. This applies to Fair Trade USA using the same fair trade terminology despite lower standards and weaker governance than other programs making similar claims. These products compete in the marketplace with those produced by organized small-scale producers and brands making long-term commitments. Therefore, we urge consumers, retailers, and institutions to approach Fair Trade USA with caution. Fair Trade USA's lower standards in many key areas are especially concerning due to the label's prevalence in the U.S. market. Their lower standards are more closely aligned with Corporate Social Responsibility programs, both in their top-down processes and their less rigorous standards in some areas. This may mislead consumers, representing fair trade as a slightly better version of conventional trade rather than the transformational just economy movement that its founders intended.



Corporations are consolidating power in supply chains and political institutions. Land is becoming more scarce. The climate crisis looms large over our food system—and our planet. Now more than ever it is vital to support small-scale producers’ initiatives.

Consumers, retailers, and institutions that wish to engage in the fair trade movement can support the strongest labeling initiatives as well as advocacy campaigns that benefit small-scale farmers. Some tips for effectively engaging in the fair trade movement include:

- **Engage politically.** We cannot consume our way to social justice. Political engagement will always be at the heart of the movement, including writing and calling national and local government representatives, voting, running for office on a just economy platform, and other active political and civic engagement.
- **Support farmer- and worker-led advocacy campaigns.** These may include corporate or political campaigns.
- **Purchase fair trade products carrying the strongest labels.** Ask others to do the same. Amplify your purchases by filling out comment cards at grocery stores.
- **Look beyond the label.** Consider what you know about the practices of the brand carrying the label, its impact on your community, and any other information you have to buy from the brands most committed to small-scale farmers and a just economy.

By using all of the tools at our disposal, it is possible to have a just agriculture system based on small-scale agroecology that supports farmers, consumers, health, and the environment.

### PROGRAM HIGHLIGHTS



#### Prioritizing Support for Small-Scale Producers

Naturland Fair and the Small Producer Symbol both prioritize support for small-scale producers. Naturland Fair requires brands to prioritize purchases from small-scale or local organic producers when possible. SPP is the only label exclusive to small-scale producers and also aims to build capacity for the small-scale producer sector.



#### Excluding Bad Actors

Fair for Life, Naturland Fair, Small Producer Symbol, and World Fair Trade Organization all exclude brands with human rights violations and environmental exploitation from participating or using the labels.



#### Democratic Organization

The Fairtrade System, Naturland Fair, and Small Producer Symbol all support and advocate for democratically-organized farmers.



#### Strong and Clear Labeling Policy

Fair for Life, Naturland Fair, Small Producer Symbol, and World Fair Trade Organization all require at least half of the ingredients in a multi-ingredient composite product to be certified fair trade.



#### Negotiated Prices

Fair for Life, Naturland Fair, Small Producer Symbol, and World Fair Trade Organization all strongly support producers to negotiate prices based on cost of production. These programs also include measures to help build negotiation skills and capacity.



#### Policy Advocacy on Behalf of Fair Trade and Producers

WFTO and the Fairtrade System jointly initiated the Fair Trade Advocacy Office (FTAO), an organization that advocates on behalf of fair trade producers and trade justice. FTAO has been instrumental in the European Union recognizing and supporting the fair trade movement. Naturland Fair and Small Producer Symbol also advocate on behalf of farmers both locally and globally.



It is relevant to note that all of these programs with strong advocacy positions are also those with the strongest producer ownership and governance.

## RECOMMENDED LABELS



**Fair for Life** – FFL is notable for policies that ensure the label is only available to those brands most committed to fair trade practices. These policies include exclusion of brands with any un-remediated history of labor and environmental exploitation; a high threshold of certified ingredients required to use a label, strong environmental standards that encourage organic or equivalent practices; long-term commitment from buyers; requirement for physical traceability of ingredients; and the requirement that brands continue to increase purchases of fair trade ingredients. FFL also guarantees prices above market averages and supports direct producer negotiation of prices.



**The Fairtrade System** – Producers have a strong role in governance and decision-making bodies of the Fairtrade System and democratic organization is required at every level of the program. This producer participation includes producer groups setting global minimum prices for fair trade products. In many crops, the Fairtrade System excludes large-scale operations from certification to protect the markets of smallholders. The Fairtrade System also contains many of the elements expected of fair trade programs, including requiring transparency about future sourcing needs as a show of good faith, long-term commitment, support of the general assembly as the highest authority of a farmer association, and strong requirements for gender equity.

Allowing brands with ongoing human rights and environmental violations to use the label and allowing the label on products with as little as 20% ingredients certified are shortcomings that could result in “fairwashing.” However, because producers have a strong role in determining standards, which has led to strong standards overall, the Fairtrade System is a recommended program.



**Naturland Fair** – Naturland Fair is owned by its farmer members, excludes brands with human rights and environmental violations from participating, requires environmental standards that exceed organic requirements, has a high threshold of certified ingredients before label can be used, and prioritizes marginalized small-scale farmers. Naturland Fair is a strong fair trade label.



**Small Producer Symbol** – SPP is the only fair trade label developed exclusively by and for small-scale producers in the Global South. SPP is also the only label that excludes individual large farms. It is notable for its focus on building capacity in the small-scale producer sector. Brands that use the label must also meet a high bar with a required code of conduct for all business practices, and a commitment to continually increase purchases of SPP products. SPP is less specific and rigorous on labor and environmental requirements than some other programs, but is recommended as a label focused on small-scale producers.

## LABEL RECOMMENDED WITH QUALIFICATIONS



**World Fair Trade Organization** – WFTO’s Guarantee System is not a traditional certification program but a verification for members that relies on a combination of peer review and third-party audits. WFTO has some strong elements, including requirements for price negotiations based on transparent information sharing. It has shortcomings in other areas, including weak environmental standards and less emphasis on democratic structures or committees than in other schemes. Despite these significant shortcomings, as a program owned by members who are producers and businesses committed to fair trade, WFTO is a recommended program.

## LABEL TO APPROACH WITH CAUTION



**Fair Trade USA** - FTUSA is a program with some strong standards, but significant shortcomings. Similar to the Fairtrade System, FTUSA allows brands with ongoing human rights and environmental violations to use the label and allows the label on products with as little as 20% ingredients certified, both of which are significant weaknesses. However, unlike the Fairtrade System, FTUSA is neither owned nor governed by producers, which makes these weaknesses even more concerning. Other notable gaps in standards include a lack of required long-term commitment by buyers, no guaranteed producer input into pricing, no requirement for democratically-organized entities, and no safeguards to protect markets for smallholders.



## PHOTO CREDITS

**COVER:** Coffee processing, Norandino co-op, Peru.  
Credit: Equal Exchange

**ACKNOWLEDGEMENTS PAGE:** Alaffia

**PAGE 4:** Jumiran, member of Koperasi Baithul Qiradh Baburrayyan (KBQB), Indonesia.  
Credit: Fairtrade International/Nathalie Bertrams

**PAGE 7:** More than 2,000 organic smallholder families, working together in 90 village communities in traditional neighborhood help, deliver their products such as raisins, hazelnuts and figs to Isik.  
Credit: dwp eG

**Page 8:** Li Bi Mei, a tea farmer, working on the farm, Xuan En Yisheng Tea Cooperative, China.  
Credit: Fairtrade International/Philipp Benedikt

**PAGE 11:** Vincenta, member of Flor Juanera Co-op, Guatemala.  
Credit: Fair World Project

**PAGE 12:** Member of Conacado, Dominican Republic.  
Credit: Equal Exchange

**PAGE 15:** Members of ECOOKIM coffee and cocoa co-op, Côte d'Ivoire.  
Credit: Fairtrade Deutschland (TransFair e.V.)

**PAGE 18:** Members of Conacado, Dominican Republic.  
Credit: Equal Exchange

**PAGE 22:** Members of Conacado, Dominican Republic.  
Credit: Equal Exchange

**PAGE 25:** Students in a school built with fair trade premium funds, Serendipol, Sri Lanka.  
Credit: Dr. Bronner's

**PAGE 28:** Members of Norandino co-op with trading partners Equal Exchange, Peru.  
Credit: Equal Exchange

**PAGE 31:** Mustafa and Shafaq Jarar and family, Burquin co-op.  
Credit: Canaan Fair Trade

**PAGE 36:** Members of Aprainores co-op, El Salvador.  
Credit: Equal Exchange

**PAGE 39:** Member of Norandino co-op, Peru.  
Credit: Equal Exchange

**PAGE 41:** Arlina, member of Koperasi Pedagang Kopi (KOPEPI) Ketiara, Indonesia. Credit: Fairtrade International/Nathalie Bertrams

**BACK COVER:** Organic Jasmine Rice Producer Group (OJRPG), Thailand.  
Credit: Fairtrade Deutschland (TransFair e.V.)

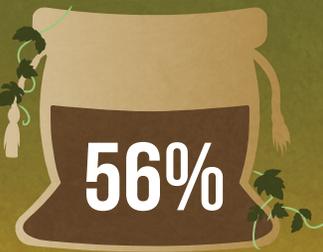
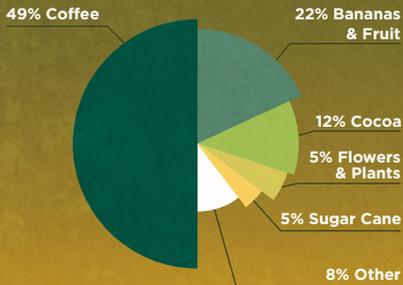


# SMALL-SCALE FARMERS FEED THE WORLD

**70%** of the world is fed by small-scale farmers

FAIR TRADE SUPPORTS  
**SMALL-SCALE FARMERS**

### Fair trade farmers SELL DIVERSE CROPS



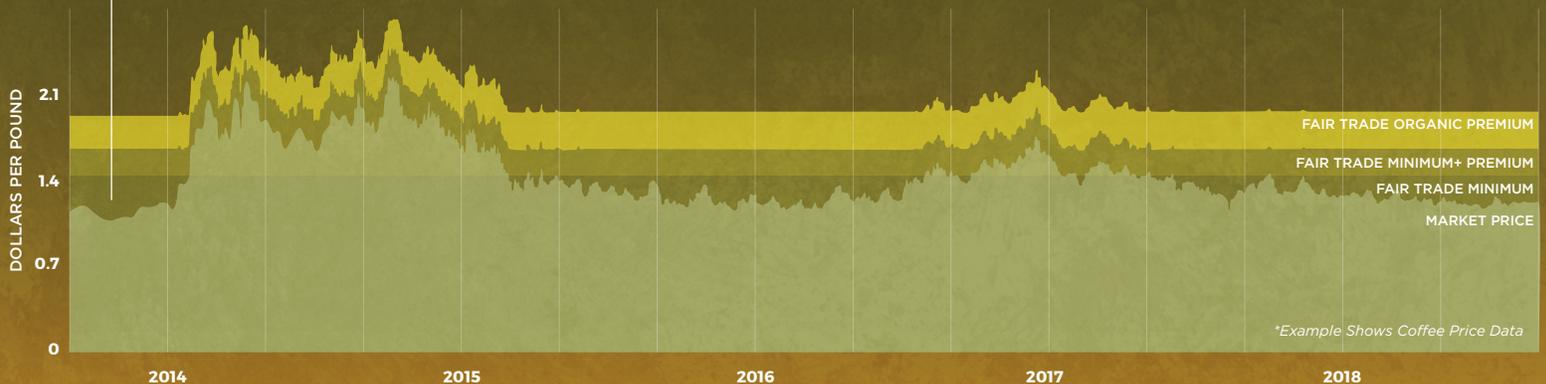
56%  
of fair trade farmers are  
**CERTIFIED ORGANIC**

### Fair trade co-ops vote on how to INVEST THEIR PREMIUM FUNDS



## THE FAIR TRADE MINIMUM PRICE

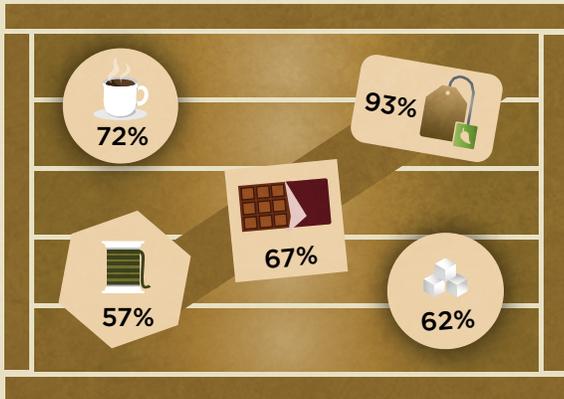
supports farmers with a price that they can count on + premiums for organic farming and social development.



\*Example Shows Coffee Price Data

Large amounts of fair trade crops go

# UNSOLD



Companies and consumers can all buy more fair trade.

## Fair trade is more than A FAIR PRICE + A PREMIUM



Democratic organizations, opportunities for women and long-term trading relationships

### HERE'S HOW TO

# SUPPORT SMALL-SCALE FARMERS

- ✓ **CHOOSE PRODUCTS WITH STRONG CERTIFICATION LABELS**  
See recommendations for labels to trust.
- ✓ **READ LABELS CAREFULLY**  
A label on the front doesn't mean that all contents are fairly traded.
- ✓ **LOOK BEYOND THE LABEL TO LEARN WHO OWNS THE BRAND**  
Avoid those with poor track records for human rights and the environment, even if they have a certified product.
- ✓ **SUPPORT CAMPAIGNS FOR FAIR PROCUREMENT POLICIES**  
Cities, states, universities, and hospitals all have sizeable spending power and can make a big impact with their dollars.
- ✓ **SUPPORT SMALL-FARMER FRIENDLY POLICY**  
Get involved both domestically and around the globe at [FairWorldProject.org](http://FairWorldProject.org).

These recommendations are based on our report *Fairness for Farmers: A Report Assessing the Fair Trade Movement and the Role of Certification*

#### LABELS RECOMMENDED:



#### LABEL TO APPROACH WITH CAUTION:



FOR SOURCES & TO SEE THE FULL REPORT:

# WWW.FAIRWORLDPROJECT.ORG

