

The FAIRTRADE Mark:

Commercial Information Pack



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1. Introduction

Since its launch in 1994, the FAIRTRADE Mark has become established as a credible, independent consumer guarantee for products that help producers in developing countries get a better deal from international trade.

Fairtrade labelling is an international system of standards for producers, and terms of trade for their goods that ensure farmers and workers in some of the poorest countries in the world are adequately protected and can build a more sustainable future. Over 4.5 million people in these countries are benefiting from increasing sales of Fairtrade certified products in 20 national markets across Europe, North America, Japan and Mexico.

The FAIRTRADE Mark currently appears on a range of products including coffee, tea, cocoa, fresh fruit, juice, honey, wine, dried fruit, nuts and sugar, and non-food products such as flowers, sports balls and cotton. The Mark can also be found on products that use these ingredients in conjunction with others that are not covered by Fairtrade standards, such as hot chocolate drinks, snack bars, cakes and biscuits. The range of Fairtrade certified products (*products carrying the FAIRTRADE Mark*) is growing all the time and standards for new categories will be introduced on a regular basis over the next few years.

Since 1996, retail sales of Fairtrade certified products in Ireland have been growing by an average of 40% p.a. In 2006 sales grew by 75% totalling €11.5 million.

2. Fairtrade Labelling

2.1 What is Fair Trade?

The roots of the fair trade movement can be traced back for at least 30 years and in that time it has developed into a world-wide network of organisations seeking to relieve the causes of poverty by tackling some of the injustices of world trade. Traditionally such organisations have been development projects or community

enterprises that were set up to assist people in disadvantaged communities earn a more sustainable livelihood through export trade.

Because different people have different problems, these organisations developed a variety of operating models to achieve their objectives but all share common principles of empowering producers to improve their own lives by working through democratic organisations, and enabling consumers to use their purchasing power to change the way world trade is managed.

Fairtrade labelling builds on the work of these pioneering “alternative traders” by defining standards and operating a certification scheme that enables all supplying and retailing businesses to participate in Fairtrade. The first labelling initiative was set up for coffee by the Max Havelaar Foundation in the Netherlands in 1988. Other national labels were set up over the next few years and standards were developed for other products. In 1997, seventeen of these organisations joined together to form Fairtrade Labelling Organisations International (FLO) as an umbrella organisation to control the standards and to certify producer organisations.

2.2 Roles & Responsibilities in Fairtrade Labelling

Fairtrade Ireland is a member of Fairtrade Labelling Organisations International (FLO), the umbrella organisation for Fairtrade labelling which works with over 508 producer organisations in 58 developing countries representing 5 million people – farmers, workers and their dependents.

- Sets international Fairtrade producer standards and the terms of trade for Fairtrade certified products
- Facilitates and developing Fairtrade business
- Liaises with Fairtrade certified producers to assist in strengthening their organisations and improve their production and market access
- Conducts lobbying and advocacy – promoting the case for trade justice.

In the interests of ensuring efficiency and transparency, all certification is carried out by FLO Cert Ltd, a separate legal entity. FLO Cert is the world’s largest social certifier and is responsible for:

- Inspecting and certifying production according to the defined Fairtrade standards
- Monitoring the trade in primary and semi-finished products to ensure compliance.

Fairtrade labels are established in 20 countries (*Austria, Australia and New Zealand, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, Mexico, Netherlands, Norway, Sweden, Switzerland, U.K., U.S.A*) The national labelling organisations –

- Licence Fairtrade labels for use on specific products
- Monitor the supply chains of certified products
- Help companies develop new Fairtrade certified products
- Work with others to raise consumer awareness and support

2.3 Fairtrade Standards

Producer standards apply to organisations representing farmers and workers and ensure that such organisations are:

- Democratic and accountable to their members
- Capable of ensuring compliance with social and economic criteria and committed to a programme of ongoing improvement.
- Able to apply Fairtrade premiums for the benefit of their members

Producer standards also ensure:

- Respect for basic human rights as defined in ILO conventions
- Decent wages and employment conditions for employed workers
- Ongoing improvements in worker health & safety and environmental protection by control and reduction of chemical inputs.

Fairtrade product standards require buyers to:

- Pay a guaranteed price covering the sustainable cost of production
- Help develop more direct and transparent supply chains
- Commit to long-term relationships with producers

2.4 Product Certification

The FAIRTRADE Mark is licensed for use on specific products that meet international Fairtrade standards. Some companies sell only Fairtrade certified products, while others offer some Fairtrade lines within a larger product offering. It's therefore important to remember that it's the FAIRTRADE Mark on the product that denotes the product is Fairtrade, not the brand name or the supplier.

Fairtrade standards apply to the following product categories:

Food Products:

- | | |
|-----------------------------------|------------------------------|
| 1. Bananas | 8. Nuts/Oil Seeds and Purees |
| 2. Cocoa | 9. Quinoa |
| 3. Coffee | 10. Rice |
| 4. Dried Fruit | 11. Herbs & Spices |
| 5. Fresh Fruit & Fresh Vegetables | 12. Sugar |
| 6. Honey | 13. Tea |
| 7. Juices | 14. Wine |

Non-Food Products:

- | | |
|----------------------|--|
| 1. Cotton | <i>As well as single ingredient products, these also appear in composite products such as:</i> |
| 2. Cut Flowers | Chocolate bars, confectionery & drinks |
| 3. Ornamental Plants | Biscuits and cakes |
| 4. Sports Balls | Snack bars |
| | Jams, marmalades, chutneys and sauces |
| | Muesli |

2.5 Fairtrade in the Irish Market

Fairtrade Ireland is a national member of FLO. It is supported by major developmental organisations in Ireland and the Irish Congress of Trade Unions. All our member organisations and their supporters help to increase awareness of the FAIRTRADE Mark through events such as the annual Fairtrade Fortnight campaign, which also involves the participation of many other organisations who share our vision.

Fairtrade Ireland collaborates with Fairtrade certified product suppliers, with national retailers and many wholesalers to promote Fairtrade at the point-of-sale. Independent surveys have shown that there is a steady increase in the public's recognition of the Fairtrade logo in Ireland, and sales figures have revealed that such

identification is carried forward to actual purchase of Fairtrade products. Almost 1 in 3 Irish adults claim to currently buy Fairtrade products, according to the Millward Brown IMS survey (April 2007).

A wide range of materials including posters, leaflets and badges are available from Fairtrade Ireland. You may also be interested to find out more about the Fairtrade Town and Cities Initiative – further information is available at www.fairtrade.ie.

3. Compliance and Monitoring

3.1 Why the FAIRTRADE Mark?

Across both food and non-food products, the FAIRTRADE Mark aims to make more visible in consumer's minds the importance of raw commodities, the many livelihoods dependent on them and the origins of the final products that they buy. The FAIRTRADE Mark not only assures consumers that the products meet Fairtrade standards but also protects companies who invest in meeting these standards from being "undercut" by less rigorous schemes and those that are not independently monitored.

3.2 Supply Chain Monitoring

The monitoring and audit of Fairtrade certified products is designed to provide an effective independent guarantee as efficiently as possible.

- Companies selling Fairtrade certified products provide quarterly reports to verify their supply chain and trading terms for labelled products. These reports are audited annually by a physical inspection
- Intermediary traders and processors are accredited by FLO to supply primary and semi-finished products, and help to maintain an auditable supply chain
- FLO inspects producer organisations on behalf of all its members – so producers need only one certification to supply all Fairtrade markets

Neither Fairtrade Ireland nor FLO trades in Fairtrade products - our role is to certify products against Fairtrade standards. We aim to provide a robust and credible international certification system as efficiently as possible. To this end, the monitoring and audit process for Fairtrade labelling recognises a number of distinct actors –

- **Licensees** – suppliers of finished products bearing the FAIRTRADE Mark under a licence agreement with Fairtrade Ireland or another member of FLO International
- **Manufacturers & Processors** – traders of the primary Fairtrade commodity and/or semi-finished products are accredited by FLO International to maintain an auditable supply chain
- **Exporters & Importers** – traders in the primary Fairtrade commodity between countries are accredited by FLO International to maintain an auditable supply chain
- **Fairtrade Producers** – the primary producing organisation, certified by FLO International against the Fairtrade producer standards

Not all products go through all of these stages while some have more than one processing stage e.g. bananas have a very short supply chain, while that for cocoa and chocolate is more complex. When a single company fulfils more than one of these roles - for example a coffee company that imports and roasts green beans and

then markets the finished product – it will have a contractual and reporting relationship with both Fairtrade Ireland and FLO International.

Every product that carries the FAIRTRADE Mark requires a **licensee** to have overall responsibility for compliance with Fairtrade standards. The licensee should be the last supplier in the wholesale supply chain - in the case of proprietary brands this will usually be the brand owner, while for private label products the licence may be held by the brand owner or their immediate supplier. Licensees sign just one contract with Fairtrade Ireland that covers all their Fairtrade products sold in Ireland.

Under the terms of their contract with Fairtrade Ireland, licensees must ensure they buy certified Fairtrade ingredients for use in their products that carry the Mark, and these must be supplied by a **registered importer, manufacturer or processor**. Similarly intermediary processors must buy from registered importers or be accredited as an importer in their own right.

The **importer** is responsible for ensuring that the primary Fairtrade certified product has been bought from a registered producer at the specified terms of trade. Both of these elements must apply for a product to be certified Fairtrade – neither products bought from registered producers at conventional market price, nor products bought from non-registered producers, even at the Fairtrade price, can be certified.

All **intermediary suppliers** are required to denote products as “Fairtrade Certified” only when they are sold to other accredited actors in the Fairtrade market in order to maintain the integrity of Fairtrade labelling. As intermediary suppliers are accredited by FLO International, they can buy from multiple producers and sell to multiple licensees under a single contract and reporting arrangement.

Fairtrade producers are monitored and inspected by FLO International and so need only one certification to supply to any of the 20 Fairtrade markets.

3.3 The Licence Agreement

The international FAIRTRADE Mark is a registered trademark of FLO International and Fairtrade Ireland is authorised to licence its use on specific products intended primarily for the Irish market that are covered by a standard licensing contract.

Fairtrade Ireland offers an “on-pack” licence as visibility of the Mark is the only way that retailers and consumers can be assured that products meet the international Fairtrade standards.

Licensees provide quarterly reports to verify their supply chain and trading terms for labelled products, and these reports are audited annually by a physical inspection. Licensees also pay a fee for use of the FAIRTRADE Mark, based on the net wholesale value of their sales in the preceding quarter (1.8% for all products from 1 April 2005).

The licence fee contributes to the cost of the certification process and also contributes to the important awareness-raising work undertaken by Fairtrade Ireland.

3.4 International Sales of Fairtrade certified products

The international FAIRTRADE Mark that is licensed by Fairtrade Ireland enables Fairtrade certified products to be sold more easily across national borders. However, it will take some time for the new label to be adopted by all FLO members and systems to ensure adequate monitoring are still being developed. If you sell your products to overseas markets we will work with you to develop relationships with other members of FLO International.

3.5 Licence Fees for Use of the Fairtrade Mark

The Fairtrade Labelling certification system is largely financed through fees paid by the final commercial operator in the supply chain, who pays a licence fee for use of the FAIRTRADE Mark on certified products. Fairtrade Ireland is responsible within the national market for:

- Verifying that product supply chains meet Fairtrade standards
- Developing the Fairtrade market through relationships with retailers and other business partners
- Raising awareness of the Mark among consumers
- Working with our partners in the international Fairtrade Labelling network to develop standards for new products

A proportion of licence fees is paid to FLO as Fairtrade Ireland's contribution to the costs of maintaining and developing the core services of the Fairtrade system (including standards, certification and producer services). The contribution is based on the Irish market's share of total Fairtrade sales across the 20 members of FLO.

Each member of FLO sets their own licence fees, and Fairtrade Ireland works on a value-based levy for all products, applied at the last point of wholesale supply. The fee system has been reviewed several times since the Mark was introduced in 1994 and the present arrangement has been found to be the most transparent, and simple to administer for both licensees and Fairtrade Ireland. It has also enabled Fairtrade Ireland to operate at one of the lowest fee levels of any country within the FLO system.

Fairtrade Ireland's policy on licence fees is to operate a system that is transparent and consistent, and that balances the need for Fairtrade Ireland's work to be adequately resourced with the objective of maximising market opportunities for Fairtrade producer organisations. It is therefore important that the fee is set at a realistic level but that it does not act as a barrier to entry or a disincentive to increase sales.

3.6 Licence Fee Rates

Licence fees equate to 1.8 % of the net invoiced value of certified products at the last point of wholesale supply, based on the licensee's annual sales of products carrying the FAIRTRADE Mark in each calendar year. Fees are paid on a quarterly basis to Fairtrade Ireland.

4. Licensing Process

1. A license agreement will need to be signed for the company.
2. The products intended to be Fairtrade are registered with Fairtrade Ireland.
3. Any packaging and artwork is approved by Fairtrade Ireland.
4. On approval of the product registration and artwork design, a product certificate is issued, allowing the product to go to market.