

Glossary of Terms

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

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

Buyer: an operator that buys a certified product.

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

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

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

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

Composite Product: a consumer ready product composed of more than one ingredient.

Consumer: the final end user of the product.

Contract: a written agreement between two or more parties.

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

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

Dairy: containing milk or milk products.

Derogation: a restricted facility to deviate from a specific requirement under specific conditions.

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

Exceptions Committee: is a committee responsible for providing guidelines for the granting of exceptions to product compositions. Type II exceptions may only be granted by the Exceptions Committee.

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

Fairtrade: refers to all or any part of the activities of Fairtrade International, FLOCERT, Fairtrade Producer Networks, National / Regional Fairtrade Organizations and Fairtrade Marketing Organizations.

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

Fairtrade Minimum Price (where it exists): is the lowest possible price that may be paid by buyers to producers for a product to become certified against the Fairtrade standards.

Fairtrade payer means the buyer responsible for paying the Fairtrade Minimum Price and the Fairtrade Premium. Buyers must check their potential status as Fairtrade payer with the certification body.

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

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

Fairtrade Sourcing Programs (FSP): is a commodity-sourcing program applicable to cocoa, sugar and cotton which offers a model for using the FAIRTRADE Program Mark which is focused on raw commodities rather than finished products. Licensees for FSP are offered a range of communication options including on-pack or off-pack labelling and / or communications

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

Finished Product: is a consumer-ready product, which is not further transformed or repacked before sale to the consumer.

FLO-ID: is a unique identification number which is assigned to all Fairtrade operators by the certification body. The existence of a FLO ID does not necessarily imply that an operator is certified.

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

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

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

Licensee: is a company licensed by a National Fairtrade Organization or Fairtrade International to use the Fairtrade Certification Mark.

Licensing Body: is the agent which draws up and signs a licence contract with a licensee. In countries where a national Fairtrade organization (NFO) is located, the NFO serves as the Licensing Body. In non-NFO countries, Fairtrade International serves as the Licensing Body.

Licensing Appeals Committee: sub group of the Fairtrade Ireland Board of Directors created to oversee any appeals in relation to a complaint being dealt with by the Licensing Department.

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

National Fairtrade Organization (NFO): is a full member of Fairtrade International as defined by its Constitution. An NFO is mainly responsible for licensing, marketing, business development and awareness raising in a defined geographical area.

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

Operator: means any producer, buyer, seller and conveyor certified against this standard.

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

Producer means any entity that has been certified under the Fairtrade International Fairtrade Standard for Small Producer Organizations, Fairtrade Standard for Hired Labour Situations, or Fairtrade Standard for Contract Production.

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

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

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

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

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

Seller: means the operator that sells a certified product.

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

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

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

Trader: any company subject to this standard.

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

Unfinished Product: is any product that is not a finished product.