

# FAIR TRADE



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# Making Informed Choices: Fair Trade and Social Standards

*“Any certification program for ethical products must truly tackle the root causes of factory and farm sweatshop conditions in global supply chains. These programs should address the power imbalance inherent in current sourcing relationships that lead to rock-bottom product prices, contractor non-compliance, and poverty wages for workers.*

*Credible certification systems should incorporate as basic and starting principles: a living wage for workers, independent worker organization, and fair pricing for contractors.”*

– International Labor Rights Forum

There are many options for companies to ensure that the people involved in the production of their products are treated fairly. Fair trade standards put a specific focus on trading terms for farmers, while social standards address general working conditions along the supply chain.

## **FAIR TRADE STANDARDS**

### **Fair Trade Cotton**

Certified fair trade cotton is cotton that has been grown and traded to a standard that focuses on delivering a fair return to those involved in its production. Fair Trade is a trading partnership based on dialogue, transparency and respect that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers.

There are a number of standards that support fair trade cotton, and they vary in their social, environmental and financial requirements. Typically there is a minimum price range set for the fiber, a social premium that is paid to the farmer group, requirements for working conditions and environmental considerations. These will be reviewed in more detail below.

### **Organic and Fair trade**

Fair trade and organic standards are natural complements; both address issues that affect farmers and their communities. While the focus of fair trade standards is strongest on social conditions and fair pricing, organic farm standards address environmental issues and result in safer working conditions and often a higher price for farmers. In meeting one standard, many of the requirements of the other are met, and by combining the two, companies can maximize the positive impact they are having at the farm level.

## Organic Exchange and Fair Trade Cotton

Organic Exchange supports the principles of fairly traded cotton where farmers get a fair price for their fiber, and have a healthy, economically sustainable relationship with the market. OE does not endorse one particular fair trade standard, but encourages companies to look at all options and determine which is the best fit.

## Standards for Fair Trade Cotton Products

There are a number of different standards for fair trade cotton products and they are all voluntary:

**Label:** EcoCert Fair Trade (EFT)

**Organization:** Ecocert

**Website:** [www.ecocert.com/-EFT-.html](http://www.ecocert.com/-EFT-.html)

**Certification body:** Ecocert

### Social requirements:

- respects International Labour Organization (ILO) conventions
- some child labor allowed under specific conditions

### Environmental requirements:

- guidelines for management of hazardous products
- prohibition of certain pesticides
- must convert to organic by second year
- genetically modified organisms (GMO's) prohibited

### Financial requirements:

- Minimum price set to meet needs of farmer
- Producer group partnership funds: joint contribution to finance goals set by producer group
- contribute 1percent each
- limitations on profit margins

### Relationship requirements:

- contractual commitment of 3 years required after 2 orders
- farms information publicly available
- prices and margins are transparent for all parts of the supply chain

There are many other details in this standard, but the above is an overview of the key points.

**Label:** Fairtrade

**Organization:** Fairtrade Labeling Organization (FLO)

**Website:** www.fairtrade.net

**Certification body:** FLO-Cert

**Social requirements:**

- respects ILO conventions; including for processing steps
- some child labor allowed under specific conditions
- special consideration given to equality of women

**Environmental requirements:**

- promotes sustainable farming methods
- GMO's prohibited
- restricted substances list for pesticides

**Financial requirements:**

- minimum price set to meet needs of farmer and additional premium paid
- farm groups decide on how to spend the Fairtrade premium to benefit the community
- payments must be transparent

**Relationship requirements:**

- contracts required between buyers and farmers
- there is a minimum price plus a social premium that is paid directly to farmers
- buyers must provide up to 60 percent pre-financing if requested from farmers
- full supply chain must be registered, but only the farmers are inspected and certified
- premium paid on fiber, and also by the end-user (brand or retailer)
- restricted to cotton grown only in certain developing countries
- licensing fee is paid by brands to FLO organization in each country (1-2 percent of wholesale)
- note that FLO has representative organizations in various countries, and each one will have its own specific requirements. Transfair, the USA member of FLO, is described below.

## TransFair

TransFair is the American member of FLO and has control of the labeling of goods certified to the FLO Fairtrade standard. For the U.S., there are additional requirements on top of sourcing fiber certified to the Fairtrade standard:

- a social premium has to be paid to factories (10 percent of FOB price), resulting in an increased wage and livelihood for the workers
- all parts of the supply chain must be inspected to meet ILO standards (spinners, knitters, etc.)
- farmer groups and cut-and-sew must be inspected by FLO-cert

The standard is currently in its pilot stage, with full implementation expected by 2012. Via a licensing arrangement, a consumer facing Fairtrade label will be available to brands and retailers.

**Label: Fair for Life**

**Organization:** Institute for Marketecology (IMO)

**Website:** [www.fairforlife.net](http://www.fairforlife.net)

**Certification:** IMO

**Social requirements:**

- sets two standards: one for group farm production, and one for hired labor at the farm or processing levels
- addresses equity and child labor issues at the farm and processing levels
- at the processing level, will accept certification to other specified standards (e.g. SA8000)
- at the fiber production level, will accept FLO certified and Soil Association Ethical Trade
- all levels follow ILO conventions

**Environmental requirements:**

- sets standards for water, energy, ecosystem management and waste management

**Financial requirements:**

- fair trade price set to meet needs of farmers and their families and additional premium for social community project

**Relationship requirements:**

- full supply chain must be certified and transparent
- contracts required between buyers and farmers or farmer groups
- buyers must provide pre-financing to farmers if necessary
- not restricted to cotton or to developing countries

**Sustainable Fair Trade Management System (SFTMS)**

The SFTMS is a standard being developed by the World Fair Trade Organization (WFTO) that certifies that companies are committed to fair trade principles. The standard applies to an entire business and all of its products and services, and is designed to be an efficient and cost-effective certification.

## Social Standards

There are a wide range of social standards to choose from; some rely on third-party certification and others on self-assessment; some have a consumer-facing label and others do not. Most uphold the international labor standards developed by the International Labor Organization, an UN-related agency which promotes social justice and internationally recognized human and labor rights.

### Standard: **Fair Labor Practices and Community Benefits**

**Organization:** Scientific Certification Systems (SCS)

**Website:** [www.scs-certified.com](http://www.scs-certified.com)

**Description:** The producer must be organic, and the complete supply chain must be 3rd party audited to ensure that all the entities meet the criteria of the standard, many of which are based on the ILO conventions. There is a consumer-facing label for this standard.

### Standard: **For Life**

**Organization:** IMO

**Website:** [www.fairforlife.net](http://www.fairforlife.net)

**Description:** Certification to confirm that workers enjoy good working conditions and that producer groups have well working, accountable internal structures.

### Standard: **SA 8000**

**Organization:** Social Accountability International

**Website:** [www.sa-intl.org](http://www.sa-intl.org)

**Description:** SA8000 is a standard which certifies that supply chain companies meet the ILO conventions on human rights. There is no consumer-facing label for this product.

### Standard: **WRAP**

**Organization:** Worldwide Responsible Apparel Production

**Website:** [www.wrapapparel.org](http://www.wrapapparel.org)

**Description:** The objective of the Apparel Certification Program is to independently monitor and certify compliance with the following standards, ensuring that a given factory produces sewn goods under lawful, humane, and ethical conditions. There is no consumer-facing label for this product.

## Membership Organizations

Separate from the organizations that set social or fair trade standards, there are several groups that pull together organizations that share a commitment to social or fair trade principles. Companies may be members of these organizations, but that does not indicate that their products are certified; many just report on themselves. Examples include:

- World Fair Trade Organization (WFTO) - [www.wfto.com](http://www.wfto.com)
- The Fair Trade Federation - [www.fairtradefederation.org](http://www.fairtradefederation.org)
- Fair Labor Association - [www.fairlabor.org](http://www.fairlabor.org)
- Fair Wear Foundation - [www.en.fairwear.nl](http://www.en.fairwear.nl)

*“Fair trade and organic complement each other perfectly. Combining the two is a way of strengthening the position of farming families socially and environmentally as well as supporting their development efforts.”*

~ [www.organiccotton.org](http://www.organiccotton.org)

## RESOURCES

- Ecocert – [www.ecocert.com](http://www.ecocert.com)
- Fair for Life – [www.fairforlife.net](http://www.fairforlife.net)
- Fair Labor Association - [www.fairlabor.org](http://www.fairlabor.org)
- Fair Trade Advocacy – [www.fairtrade-advocacy.org](http://www.fairtrade-advocacy.org)
- Fair Trade Federation - [www.fairtradefederation.org](http://www.fairtradefederation.org)
- Fair Wear Foundation - [www.en.fairwear.nl](http://www.en.fairwear.nl)
- International Labor Organization - [www.ilo.org](http://www.ilo.org)
- Institute of Marketecology – [www.imo.ch](http://www.imo.ch)
- Fairtrade Labeling Organization (FLO) - [www.fairtrade.net](http://www.fairtrade.net)
- Scientific Certification Systems (SCS) - [www.scscertified.com](http://www.scscertified.com)
- TransFair - [www.transfairusa.org](http://www.transfairusa.org)
- World Fair Trade Organization (WFTO) - [www.wfto.com](http://www.wfto.com)
- Worldwide Responsible Apparel Production - [www.wrapapparel.org](http://www.wrapapparel.org)

*Making Informed Choices* series, include:

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Climate Change

Eco Fibers

GMO (Genetically Modified Organisms)

Organic Cotton: Your Healthier Choice

Pesticides



Organic Exchange (OE) is a nonprofit organization with staff in over ten countries committed to expanding global organic fiber agriculture, using organic cotton as the original catalyst. Improving organic cotton production addresses key environmental issues impacting cotton and also facilitates discussions about agricultural issues worldwide including: biodiversity, food security, poverty alleviation, strengthening rural communities, water quality and utilization, soil protection, and climate change impacts.

OE brings together brands, retailers, supply chain partners, farmers, and other key stakeholders to learn about the social and environmental benefits of organic agriculture and develop new business models and tools that support greater use of organic fibers and sustainable textiles.

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