



Summary of the Trade Standard

Key Requirements for Traders

This summary is designed to provide an overview of the key requirements in the [Fair Trade USA® Trade Standard version 2.0.0](#) for traders purchasing Fair Trade Certified™ products. The Trade Standard applies to all supply chain partners ('traders') globally who buy and sell Fair Trade Certified products from certified producers through to the point at which product is a finished, labelled good ready for sale to the end consumer. (To determine if the Trade Standard applies to your organization, see the [Requirements for Certificate Scope under the Trade Standard](#) and the related [Guidance for Determining Scope Under the Trade Standard](#), or [contact us directly](#).)

The Trade Standard's three modules work together to regulate the participation of traders in fair trade supply chains. They ensure the economic development rights of fair trade producers, and assure consumers that the Fair Trade Certified products they buy were manufactured and traded in ways that improve livelihoods and protect the environment.

For a full understanding of the requirements, please refer to the Trade Standard.

Module 1: General Requirements

This module defines the basic requirements that traders must comply with in order to participate in the Fair Trade USA program. Specifically, traders must:

- **Sign and maintain** agreements with Fair Trade USA. *(Objective 1.1.1)*
- **Designate** a contact person who communicates with Fair Trade USA on all matters related to certification. *(Obj. 1.1.2)*
- **Inform** Fair Trade USA of all sites and subcontractors where Fair Trade Certified products are handled. *(Obj. 1.1.2)*
- **Submit** timely and accurate reports of fair trade transactions as required by Fair Trade USA. *(Obj. 1.1.2)*
- **Grant** access to facilities and information required by Fair Trade USA staff and auditors during annual desk audits, and/or if selected for an on-site audit. *(Obj. 1.1.3)*
- **Establish** written agreements with all subcontracted facilities indicating that they understand and comply with traceability and audit requirements of the Trade Standard. *(Obj. 1.1.3)*
- **Source** Fair Trade Certified products only from entities with a valid certificate through Fair Trade USA or approved certifiers. *(Obj. 1.2.1)*
- **Fulfill** existing contracts and continue selling Fair Trade Certified product, if you or your supplier become suspended. While under suspension, new contracts can only be signed with suppliers where there is an existing sourcing relationship. Note that total volume of new contracts or purchase agreements is limited to 50% of the volume of Fair Trade Certified products traded with that partner for the twelve (12) months prior to the date of suspension. *(Obj. 1.2.2)*
- **Cease** the sale of product as Fair Trade Certified if you or your supplier are decertified. (**Contact** your Fair Trade USA rep within 15 days if labeled product is already in transit from a supplier who becomes decertified.) *(Obj. 1.2.3)*
- **Follow** the [Seal & Language Use Guide](#) and **receive** approval from Fair Trade USA when designing promotional materials and/or labels and artwork for use on packaging or products. *(Obj. 1.3.1)*
- **Avoid** violating any applicable labor laws as well as the ILO Core Conventions. *(Obj. 1.4.1)*
- **Avoid** violating any applicable environmental laws. *(Obj. 1.5.1)*

Module 2: Economic Development

This module defines the payment requirements that traders must comply with in order to ensure that producers and workers have the opportunity to create better livelihoods for themselves and their communities. Payment refers to the Fair Trade Premium and Fair Trade Price. Traders must:

- **Pay** producers at least the Fair Trade Price, which is the relevant market price or, where applicable, the appropriate Fair Trade Minimum Price, for Fair Trade Certified product (*Obj. 2.1.1 & 2.1.2*). *The intent of this requirement is to ensure that the price is not discounted in order to absorb or offset the cost of the Premium.*
- **Remit** product price payments in a verifiable & timely manner (best practice: within 30 days of invoice), being sure to **follow** all applicable laws (e.g. PACA). (*Obj. 2.1.3*)
- **Pay** the correct amount of Fair Trade Premium on all Fair Trade Certified product according to the [Price and Premium Information and Special Price and Premium Terms](#) and **do not deduct** any amount from the Premium amount owed. (*Obj. 2.2.1*)
- **Remit** Fair Trade Premium payments in a verifiable & timely manner. (Best practice: on a monthly basis. Maximum cadence permitted is quarterly, but only where both parties agree to this alternative timeline, which must be documented) (*Obj. 2.2.2*)

This module also requires that traders engage with suppliers in a clear, reliable and supportive manner in order to foster mutually beneficial trade relationships. Specifically, traders must:

- **Draft and sign** agreements (Fair Trade Agreement; terms of trade) with suppliers outlining the terms of the Fair Trade Certified program; these can be stand-alone agreements or the terms and conditions can be incorporated into existing contracts with suppliers (*Obj. 2.3.1 & 2.3.2*)
- **Document** key information on Purchase Orders. (*Obj. 2.3.2*)
- **Honor** all elements of the agreements and Purchase Orders and **document** all disputes and deductions. (*Obj. 2.3.3*)
- **Avoid** the use of vague or disadvantageous terms of trade and engaging in unfair trading practices that damage the capacity for producers to compete or to comply with Fair Trade USA standards. (*Obj. 2.5.1*)
- **Document** the process for price fixation, where contracts are signed on a price-to-be-fixed basis (*Obj. 2.3.4*)
- **Define** the roles and responsibilities in situations where brokers are used, and **ensure** that the broker's commission is never deducted from the Fair Trade Price or Premium. (*Obj. 2.3.5*)
- **Support** producers in securing access to pre-finance—either directly from the trader or from third-party lenders—when requested. (*Obj. 2.4.1, 2.4.2 & 2.4.3*)
- **Communicate** proactively with suppliers at the end of each season on the key metrics of the Fair Trade Certified program, (e.g. summaries of volumes sold as fair trade, amount of Fair Trade Premium paid, etc.) as well as in advance of making any significant changes to the relationship. (*Obj. 2.5.2*)

Fair Trade Agreements, terms of trade, and purchase orders: what to include?

Written agreements are the foundation for stronger, more stable trade relationships. Agreement(s) must be transparent, should support protection for all parties, and should be mutually agreed-upon.

Fair Trade Agreements (*Obj. 2.3.1*) define the:

- Roles, responsibilities, terms for payments, and calculation of Fair Trade Premium.
- Roles, responsibilities, and terms for payments of the Fair Trade Price.
- Duration of the Agreement, which must cover at least one full trading season.

Terms of trade (*Obj. 2.3.2*) include:

- Quality check inspection and claim procedures.
- Descriptions of liabilities of each party.
- Dispute resolution procedures.
- Definition of, or reference to, "Force Majeure".
- Mutual termination rights.
- How the system of orders will function.
- Commitment to provide order volume estimates on a mutually acceptable cadence.

Purchase orders or their equivalent (*Obj. 2.3.2*) contain:

- Date.
- Agreed volumes.
- Accurate description of the Fair Trade Certified product(s), including quality requirements/characteristics.
- Amount of Fair Trade Premium owed and how it was calculated.
- Price owed and how it was calculated.
- Delivery terms.
- Any other necessary and relevant information regarding the product or order.

Module 3: Product Traceability

This module defines the requirements traders must follow in order to ensure traceability of all Fair Trade Certified product. All Traders must comply with the requirements in **Sub-Module 3.1: Traceability through Documentation**. However, traders have three options for maintaining product traceability. **Sub-Module 3.2: Physical Product Traceability** is the default option and applies to all traders except those with explicit approval from Fair Trade USA to use one of the two alternatives, which are **Sub-Module 3.3: Identity Preserved** and **Sub-Module 3.4: Mass Balance**.

Sub-Module 3.1: Traceability through Documentation

The requirements for documenting trade transactions are designed to ensure that traders can track the total volume of product labeled and sold/distributed, and only the amount of product sourced as Fair Trade Certified is sold as Fair Trade Certified. Traders must:

- **Write** procedures that govern and ensure traceability of all transactions and volumes of Fair Trade Certified product. *(Obj. 3.1.1)*
- **Maintain** accurate and complete records of all fair trade purchases and sales for a minimum of three years. *(Obj. 3.1.1)*
- **Use** records and documentation to **trace** the sale of Fair Trade Certified product back to a fair trade purchase, and vice versa. *(Obj. 3.1.1)*
- **Identify** Fair Trade Certified product clearly on transaction documents. *(Obj. 3.1.2)*
- **Provide** the Fair Trade IDs of buyers and sellers, product names, transaction dates, and quantities of Fair Trade Certified product on all Fair Trade Certified purchases and sales documentation. *(Obj. 3.1.2)*
- **Record** the conversion rates and processing losses where there are any changes to the volume or physical state of Fair Trade Certified product. *(Obj. 3.1.3)*

Sub-Module 3.2: Physical Product Traceability

Physical product traceability requirements are designed to ensure that Fair Trade Certified product is never mixed with uncertified product. Traders must:

- **Physically segregate** Fair Trade Certified product from non-Fair Trade product at all stages (e.g. storage, transport, processing, packaging, labeling). *(Obj. 3.2.1)*
- **Clearly mark** Fair Trade Certified product so that it is visually identifiable from uncertified product at all stages. *(Obj. 3.2.2)*
- **Maintain** physical traceability of Fair Trade Certified products which are comprised of a mix of ingredients that follow the physical traceability requirements in Sub-Module 3.2 and ingredients which follow the Mass Balance traceability requirements in Sub Module 3.3. *(Obj. 3.2.4)*

Sub-Module 3.3: Identity Preserved

Identity preserved is a higher level of traceability for Fair Trade Certified product, enabling traders to identify a batch of certified product as originating from specific producers. This enhanced traceability provides all actors in the supply chain with a clearer understanding of the Fair Trade impact.

Compliance with the requirements for identity preserved traceability is possible only when a trader's suppliers also comply, so traders should only apply identity preserved where this has been clearly negotiated with their suppliers. Traders must:

- **Inform** Fair Trade USA of the intent to apply identity preserved and gain approval prior to implementation. *(Obj. 3.3.1)*
- **Physically segregate** batches of identity preserved product from all other product at all stages (e.g. storage, transport, processing, packaging, labeling). *(Obj. 3.3.2)*
- **Mark and be able to visually identify** individual batches of identity preserved product at all stages. *(Obj. 3.3.3)*
- **Maintain** records of purchase and sales documentation for individual ingredients that are intentionally mixed as part of processing. *(Obj. 3.3.4 & 3.3.5)*

Sub-Module 3.4: Mass Balance

Mass balance allows mixing of a limited number of Fair Trade Certified products with uncertified products or ingredients. (See Fair Trade USA's Allowance for Use of Mass Balance document for more information on what products may use mass balance.) Traders who employ mass balance systems are exempt from the requirements governing physical product traceability (Sub-Module 3.2) for those products. However, traders employing mass balance systems must:

- **Inform** Fair Trade USA of the intent to use mass balance and gain approval prior to implementation. (*Obj. 3.4.1*)
- **Ensure** that volumes sold as Fair Trade Certified never exceed the volumes purchased as inputs. (*Obj. 3.4.2*)
- **Verify** that the Fair Trade Certified inputs are at least the same type and quality as the output product. (*Obj. 3.4.2*)
- **Maintain** an accounting system to track volumes and quality of Fair Trade Certified inputs and outputs. (*Obj. 3.4.3*)
- **Implement** sourcing and tracking processes appropriate to the scope and scale of their mass balance system. (*Obj. 3.4.4*)

Finally, Module 3 contains two additional Sub-modules that apply only to specific trading scenarios for a very limited number of products:

Sub-Module 3.5: Retro-Certification

Retro-certification is a business transaction in which a trader purchases eligible product from a Fair Trade supplier under non-Fair Trade terms and, with approval from Fair Trade USA, reclassifies it as Fair Trade Certified at a later date. Systemic retro-certification (retro-certification which is employed on an ongoing basis) is restricted to just two products: *Camelia sinensis* and sugar. Other products may use exceptional retro-certification, which is employed on a limited-duration basis only where Fair Trade USA has granted an exception. For more information on retro-certification, see [Fair Trade USA's Guidance for Traders Implementing Retro-certification](#).

Sub-Module 3.6: Consignment (applicable only to fresh produce sold in the USA)

Consignment sales involve an agent (consignee) who sells goods on behalf of their customer (consignor), who retains ownership of the goods until they are sold by the consignee. At that point, the consignee remits payment to the consignor. While consignment sales relationships can have a number of advantages and benefits, they often shift trading risk to the consignor. For that reason, certain protections must be put in place to ensure that Fair Trade producers are not disadvantaged. Traders must:

- **Inform** Fair Trade USA of the intent to sell under consignment and **possess** a valid PACA license, and **report** transactions to Fair Trade USA (see *Obj. 1.1.2*, above), including:
 - Volume of eligible product received;
 - Volume of eligible product sold as Fair Trade Certified;
 - Volume of eligible product not sold as Fair Trade Certified (includes product that was dumped or donated) (*Obj. 3.6.1*)
- **Define** the consignment relationship and payment methods in the written agreement between the parties (see *Obj. 2.3.1* & *2.3.2*, above). (*Obj. 3.6.2*)
- **Document and report** all consignment sales of Fair Trade Certified product to suppliers on a monthly basis, being sure to **maintain** compliance with documentation requirements in *Obj. 3.1.2* plus the additional information required specifically for consignment (volume of eligible product not sold as Fair Trade Certified; price owed for all sales; calculation and amount of Premium owed). (*Obj. 3.6.2*)
- **Remit** payment of Premium within 15 days of the end of each month. (*Obj. 3.6.2*)
- **Pay** Fair Trade Premium to each consignor on at least 90% of all that consignor's product sold with the Fair Trade seal or label. (*Obj. 3.6.3*)