



Fair Trade Basics

Myth-busters & FAQs

Fair Trade Campaigns is a powerful grassroots movement mobilizing thousands of conscious consumers and Fair Trade advocates at schools, on campuses and in communities across the United States. We are part of a global effort to normalize Fair Trade as an institutional practice and consumer preference across 24 countries and on six continents.

Fair Trade Myths

Courtesy of the Fair Trade Federation (click to open)

Myth: Fair Trade is about paying developed world wages in the developing world.

Reality: Wages are designed to provide fair compensation based on the true cost of production, and are not based on North American wage standards. Fair wages are determined by a number of factors, including:

- The amount of time, skill, and effort involved in production
- Minimum and living wages where products are made
- The purchasing power in a community or area
- Other costs of living in the local context



Myth: Fair Trade siphons off American jobs to other countries.

Reality: Fair Trade seeks to improve the lives of the poorest of the poor who frequently lack alternative sources of income. Most Fair Trade craft products stem from cultures and traditions which are not represented in North American production. Most Fair Trade food products do not have North American-based alternatives. Also, as North American Fair Trade organizations grow as successful small businesses, they employ more and more individuals in their communities.

Myth: Fair Trade is anti-globalization.

Reality: International exchange lies at the heart of Fair Trade. Fair Trade organizations seek to maximize the positive elements of globalization that connect people, communities, and cultures through products and ideas. At the same time, they seek to

minimize the negative elements that result in lower labor, social, and environmental standards which hide the true costs of production.

Myth: Fair Trade is a form of charity.

Reality: Fair Trade promotes positive and long-term change through trade-based relationships which build self-sufficiency. Its success depends in independent, successfully-run organizations and businesses, not on handouts. While many Fair Trade organizations support charitable projects in addition to their work in trade, the exchange of goods remains the key element of their work.

Myth: Fair Trade results in more expensive goods for the consumer.

Reality: Most Fair Trade products are competitively priced in relation to their conventional counterparts. Fair Trade organizations work directly with producers, cutting out middlemen, so they can keep products affordable for consumers and return a greater percentage of the price to the producers.

Myth: Fair Trade results in low quality products for the consumer.

Reality: While handmade products naturally include some variation, Fair Trade organizations continuously work to improve quality and consistency. Through direct and long-term relationships, producers and Fair Trade organizations dialogue about consumer needs and create high quality products. Fair Traders have received awards at the International Cup of Excellence and Roaster of the Year competitions, SustainAbility in Design the New York Home Textile Show, and other venues.

Myth: Fair Trade refers only to coffee and chocolate.

Reality: Fair Trade encompasses a wide variety of agricultural and handcrafted goods, including baskets, clothing, cotton, home and kitchen décor, jewelry, rice, soap, tea, toys, and wine. While coffee was the first agricultural product to be certified Fair Trade in 1988, Fair Trade handcrafts have been sold since 1946.



Fair Trade FAQs

Courtesy of Fair Trade International (click to open)

What is Fair Trade?

Currently the most widely recognized definition of Fair Trade was created by an informal association of the four main Fair Trade networks (Fairtrade International, World Fair Trade Organization, Network of European Worldshops and European Fair Trade Association):



“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 - especially in the South. Fair Trade organizations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade. Fair Trade's strategic intent is:

- deliberately to work with marginalized producers and workers in order to help them move from a position of vulnerability to security and economic self-sufficiency
- to empower producers and workers as stakeholders in their own organizations
- to actively to play a wider role in the global arena to achieve greater equity in international trade.”

How big is the Fairtrade market globally?

In 2008 Fairtrade sales amounted to approximately €3.4 billion worldwide. The sales of Fairtrade certified products grew 15% between 2008-2009. There are now 827 Fairtrade certified producer organizations in 58 producing countries, representing over 1.2 million farmers and workers. In addition to other benefits, approximately €43 million was distributed to communities in 2008 for use in community development. Including families and dependents, Fairtrade International estimates that six million people directly benefit from Fairtrade.

Does paying farmers a fairer price encourage more production and create over supply problems?

There is no evidence for this and in fact it is difficult to imagine how Fairtrade could have this effect. Fairtrade is a voluntary model of trade that is consumer/market led. It is true Fairtrade includes prices designed to meet producers' sustainable costs of production, but because Fairtrade is market led it can only grow in line with market demand. Farmers only receive the Fairtrade Minimum Prices and Premiums for products when they have a buyer willing to pay for them. As there are already more producers than the market can support many producer groups continue to sell a lot, and in some cases most, of their produce to the conventional market. Fairtrade certified producers use the additional income from Fairtrade to improve the quality of their lives and to invest in their businesses. Farmers also invest the Fairtrade Premiums in crop diversification in order to escape from their dependence on a single crop as their primary source of income. Because Fairtrade certified producers often choose to spend their social Premiums on

projects such as improving local schools, health, water or sanitation projects, this means the benefits of Fairtrade can be shared more widely by the local community, not just the farmers themselves.

How do you determine what price is a Fairtrade Minimum Price?

A Fairtrade Minimum price is set for most Fairtrade products. This price aims to cover the costs of sustainable production. Research in each product is undertaken and there is a lengthy consultation with producers and experts around the world before establishing Fairtrade Minimum Prices for products. Of course costs of production and market prices fluctuate so it is difficult to guarantee that the Fairtrade price always covers the costs of sustainable production. The important issue is that it acts as a safety net in times when the market price is very low. On top of the production costs, Fair Trade labeling organizations establish an additional sum, the Fairtrade Premium, which is invested in social, economic and environmental development. Decisions on how to use the premium are made democratically by producers within the organization or hired workers in a joint body. Fairtrade Minimum Prices are periodically reviewed to ensure producers' production costs are still being covered.

Why are there not more types of Fairtrade products?

It takes a great deal of time and money to develop Fairtrade Standards to ensure that new Fairtrade products really will benefit producers. The initial focus of Fairtrade was on agricultural commodities, such as coffee and tea, which have the most widespread impact on the livelihoods of small producers and workers in the developing world. Since then, the scope of Fairtrade is continuously being extended to other agricultural products and some manufactured products such as sports balls.

My existing tea/coffee supplier assures me that they pay a fair price and treat their suppliers decently. Isn't this as good as Fairtrade?

The purpose of Fairtrade is not merely to avoid exploitation of suppliers but to help make a real improvement in people's lives. Fairtrade is based on a clear set of internationally agreed criteria, which are independently assessed and monitored, and the whole system is open and transparent. The FAIRTRADE Certification Mark is the only independent assurance that Fairtrade Standards have been met.



Why do some Fairtrade products cost more?

There are several parts to this answer:

Price paid to producer

Every time you buy a certified Fairtrade product, the producer organization or plantation receives the Fairtrade Minimum Price (where it exists) or higher based on market conditions and an additional Fairtrade Premium to invest in social, environmental and business development. It is important to note that these payments are not linked to the retail price of the final finished product.

Fairtrade price same or cheaper

In some markets Fairtrade products are the same price or cheaper than similar conventional products. The cost of the raw produce that is shipped, processed, packaged and marketed by others in the chain, represents a very small proportion of the cost that consumers pay. It is quite possible for companies to pay the additional costs of Fairtrade without it being reflected in the retail price at all.

Higher quality products cost more

It is also important to compare like with like. We expect to pay more for higher quality products. You will find the price of Fairtrade products is comparable with other similar quality products. If a Fairtrade product is targeted at the higher end of the market then it is likely to cost a similar price to other high quality products.

Retailers determine final price

Retailers determine the final price paid by consumers. Retail pricing is not controlled or influenced by Fairtrade International or any of the labelling initiatives. Fair Trade labeling organizations verify the right price has been paid to the producer but the final price paid by the consumer is the decision of the retailer. As has already been demonstrated in mature markets like coffee and cocoa, as demand for Fairtrade products grow economies of scale and disproportionate retailer margins become less and less significant.



Fair Trade FAQs

Courtesy of Fair Trade USA (click to open)

What is Fair Trade USA and what does it do?

Fair Trade USA is a non-profit organization that certifies and promotes Fair Trade products in the United States. The leading third-party certifier, we work with more than 800 U.S. companies to audit and certify that the products they offer comply with international Fair Trade standards. Certified products carry the Fair Trade Certified label, which helps consumers to purchase their way to a better world, simply by looking for the label on the products they buy.

Our mission is to enable sustainable development and community empowerment by cultivating a more equitable global trade model that benefits farmers, workers, consumers, industry and the earth. We achieve our mission by certifying and promoting Fair Trade products.



What is Fair Trade?

Fair Trade is a global trade model and certification allows shoppers to quickly identify products that were produced in an ethical manner.

For consumers, Fair Trade offers a powerful way to reduce poverty through their everyday shopping. For farmers and workers in developing countries, Fair Trade offers better prices, improved terms of trade, and the business skills necessary to produce high-quality products that can compete in the global marketplace. Through vibrant trade, farmers and workers can improve their lives and plan for their futures. Today, Fair Trade benefits more than 1.2 million farming families in 70 developing countries across Africa, Asia and Latin America.

Globally, the Fair Trade network certifies coffee, tea and herbs, cocoa, fresh fruit and vegetables, sugar, beans and grains, flowers, nuts, oils and butters, honey and spices, wine and apparel, and certified ingredients are now used in ready-to-drink beverages, body care products and spirits. In the United States, Fair Trade Certified™ products are available in more than 50,000 retail locations.

Fair Trade principles include:

- Fair prices and credit: Democratically organized farming groups receive a guaranteed minimum floor price (or the market price if it's higher) and an additional premium for certified organic products. Farming organizations are also eligible for pre-harvest credit.
- Fair labor conditions: Workers on Fair Trade farms enjoy freedom of association, safe working conditions and sustainable wages. Forced child and slave labor are strictly prohibited.
- Direct trade: With Fair Trade, importers purchase from Fair Trade producer groups as directly as possible to eliminate unnecessary middlemen and empower farmers to develop the business capacity necessary to compete in the global marketplace.
- Democratic and transparent organizations: Fair Trade farmers and workers decide democratically how to invest Fair Trade premiums, which are funds for community development.

- Community development: Fair Trade farmers and farm workers invest Fair Trade premiums in social and business development projects like scholarships, schools, quality improvement and leadership training, and organic certification.
- Environmental sustainability: Harmful agrochemicals and GMOs are strictly prohibited in favor of environmentally sustainable farming methods that protect farmers' health and preserve valuable ecosystems for future generations.

What is the difference between free trade and fair trade?

According to Fair Trade USA's founder, President and CEO Paul Rice, "Fair Trade makes free trade work for the world's poor."

Free trade is the economic theory that the market should be allowed to flow without government intervention. Purists want to get rid of all trade tariffs, subsidies, and protectionist economic policies. However, it is these very regulations which stop commodity prices from fluctuating uncontrollably. This laissez-faire theory aims to reach market equilibrium - where supply meets each demand. What free trade supporters fail to consider is the fact that, sometimes, the means to get that supply is not all that fair.

Historically, free trade has left small-scale producers behind as large subsidized companies start to take over their industries. While large contracted farms can afford to sell commodities at lower prices, local farmers, who have traditionally supplied these products, are driven into debt. The only way these farmers can compete with subsidized farms is to lower their product prices to the point where labor is free and quality of life is unsustainable.

In the case of coffee growers, these producers lack information on the real market value of their commodity, which easily makes them victims to unfair market deals that take advantage of their inexperience. Additionally, these farmers often lack access to credit and are forced to take quick cash from buyers who offer to pay a fraction of what their crop is worth.

Fair Trade helps level the playing field by equipping the farmers with tools—information and training—they need to receive fair prices for their products. The Fair Trade system aims to provide greater market access to farmers, which gives them a larger say in how much their product is worth. We say that Fair Trade is "market-based" because it relies on socially-conscious consumers support the movement by purchasing Fair Trade products. Through their conscious purchases, consumers tell companies that they care about the farmers and workers who produce their products. Fair Trade aims to address the underlying inequities caused by poverty and lack of access to market information that free trade ignores.



Which products are Fair Trade Certified™ in the U.S.?

Fair Trade USA certifies coffee, tea and herbs, cocoa, fresh fruit and vegetables, sugar, beans and grains, flowers, nuts, oils and butters, honey and spices, wine and apparel, and certified ingredients are now used in ready-to-drink beverages, body care products and spirits. Additionally, we're exploring certification in gold and precious metals, seafood and diamonds.

Are Fair Trade Certified Products also certified organic?

Not necessarily, Fair Trade does promote organic farming with training for farmers and by offering a higher price for organic products. Many producers invest their Fair Trade premium funds in organic certification, which has led to outstanding results: nearly half of all Fair Trade Certified imports were also organic. We believe that in order to improve living and working conditions for farmers and workers that their environment must also be clean and healthy. Environmental standards are therefore integral to the Fair Trade criteria. These include:

- Protecting water resources and natural vegetation areas
- Promoting agricultural diversification, erosion control, and no slash and burn
- Restricting the use of pesticides and fertilizers
- Banning use of genetically modified organisms (GMOs)
- Requiring proper management of waste, water and energy

Are Fair Trade Certified products also non-GMO (not genetically modified)?

Yes. Fair Trade USA understands the importance of strict environmental standards. Ours include:

- Banning use of genetically modified organisms (GMOs)
- Protecting water resources and natural vegetation areas
- Promoting agricultural diversification, erosion control, and no slash and burn
- Restricting the use of pesticides and fertilizers
- Requiring proper management of waste, water and energy

Do Fair Trade Certified products cost more than conventional products?

Not necessarily. Fair Trade Certified coffees and chocolates are generally priced competitively with other gourmet, specialty coffees and chocolates. They are, though, more expensive than mass-produced, low-quality coffees and chocolates. Fair Trade Certified bananas, on the other hand, can cost much more than conventional bananas because small cooperatives lack the extensive shipping and logistical capabilities of vertically-integrated, multi-national fruit companies and incur higher costs to transport their products to market.

