

IMO Social & FairTrade Programme Version Feb. 08

Section 4: FairTrade Issues



4.2.1 FairTrade Obligations for all FairTrade Producer Companies

FairTrade Producer Companies (producer group, company with contract producers, plantations, manufacturers) and their FairTrade Buyers (usually importers) should seek to establish a long term and stable relationship in which the rights and interests of both are mutually respected and prices are negotiated based on transparent communications. FairTrade Producer Companies are accountable trade partners for their buyers and work continuously on meeting the quality standards of consumer countries.

The benefits of FairTrade shall reach the main intended beneficiaries, normally the farmers or the workers in certified operations as well as their families and communities. In the case of production chains with farm production as well as substantial processing, the overall FairTrade policy defines the main beneficiaries and FairTrade target groups, depending on overall social impact and their needs for FairTrade support (see also detailed policy included in above "Beneficiaries of FairTrade" section).

Any money in a FairTrade Premium fund must be responsibly administered and only used for agreed social projects as decided by the FairTrade Premium Decision Body. Requirements regarding FairTrade Premium decision bodies and Premium use are outlined in chapters 4.2.2 and 4.2.3 for Producer Groups and Hired Labour Situations separately.

If no Premium money has yet been received, assess plans/capacity to administer the money once it starts coming in → most control points will normally be rated as (2), if really not ready yet → rate as (1).

Note: The Buyers' most important obligations (see chapter 4.1 above) are also counterchecked during audit of FairTrade Producer Companies, but without effect on the certification of the supplier.

N°	Control Points Obligations for ALL FairTrade Producer Companies	MAX	Score
1	The company has (0) not fulfilled its trade agreements at all (1) several delivery or quality problems (2) fulfilled the agreements with FairTrade buyers or, if not, has found a mutually agreed solution with its clients. <i>If no sales/first certification → 2</i>	2	
2	If there have been substantial quality problems and quality claims: (0) no steps towards improvement of situation; (1) some compromises found with trade partner, some disagreements remaining; (2) partners have agreed on resulting consequences (e.g. return of produce) and have taken steps to improve the situation; (3) exceptional efforts to immediately improve situation. <i>If n.a. → (2)</i>	3	
3	The company works towards continuous improvement of product quality: (0) no efforts; (1) some improvements; (2) continuous, serious efforts; (3) good efforts; (4) exceptional efforts	4	
4	In price negotiations the supplier gives trade partners (0) clearly wrong information (1) slightly inaccurate / not clear information (2) correct information (e.g. on prices paid to farmers or overheads) if requested by trade partner (3) detailed and correct information about operation	4	
5	If the FairTrade Price paid is considerably higher (> approximately 10%) than normal market prices for respective quality (but not declared as FairTrade Premium), the company prepares: (0) no summary; (1) some very basic written information; (2=M) accurate brief overview summary what this higher price is used for (or details of its costs structure) and sends this summary to clients upon request; (3) or (4) very good / exceptional overview. <i>If n.a. → 2</i>	4 M=2	
FairTrade Premium Administration			
6	Any FairTrade Premium paid into a FairTrade Premium fund is (0) without actual administration; use not documented (1) with some administration, incomplete records (2=M) responsibly administered in a separate account and any use well documented	4 M=2	
7	The premium fund decision committee or board writes (0) no report (1) a report about some activities, but incomplete (2=M) an annual short report on all activities financed by fund money (with detailed budget) (3) a very good report <i>If FairTrade Prices that INCLUDE PREMIUM (without separate definition of Premium) are received, the company summarizes all social projects or effective higher farmer prices or other social impact of the FairTrade price for the buyer.</i>	4 M=2	
8	The records of expenses paid from the fund correspond (0) not at all (1=M) with minor shortcomings (2) satisfactorily to the amount spent as per bookkeeping and the activities reported in the annual fund report; (3) very good records, easy to trace	3 M=1	
9	The effective use of the FairTrade Premium fund money is (0) not for the projects as agreed by premium fund decision body (1=M) mostly for the agreed projects , other use justifiable (2) only for the agreed projects; (3) or (4) very good/exceptional projects/activities	4 M=1	
10	Social impact of FairTrade Premium use: (0) no particular social impact although Premium received; (2) good social impact (as can be expected for the amount received); (3) or (4) good/exceptionally high social impact; very good projects or substantial increase in farmers' income	4	
TOTAL		MAX	TNP
Maximum Points / Total Norm Points / Effective Points		36	20