



Fairtrade Standards for UK Operators

In six parts

Part 3 (of 6) – Requirements for purchasing from certified producers (direct or via an exporter)

*These are the requirements relevant to companies wishing to import from a Fairtrade certified producer group and are also in some cases relevant to imports through an exporter. They include: contracts, payment terms, sourcing plans, pre-finance, price and premium rates and product specific requirements.
The requirements in the other parts also apply.*

FLO Standards and guidance are identified by the prefix;
(FLO - followed by the reference).
All other Standards are requirements of the Foundation.

All companies registered with the Fairtrade Foundation must meet the relevant requirements and will be audited against them.

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Fairtrade prices, premiums and product standards

<u>Reference document</u>	<u>Who should read this?</u>
Fairtrade price and premium. See FLO Website www.fairtrade.net	
Fairtrade price and premium table	All price/premium payers
FLO Product Specific Trade Standards (see Part C). See FLO Website www.fairtrade.net	
Bananas Small Producer Organisations	Price/premium payers purchasing bananas from SPOs
Bananas Hired Labour	Price/premium payers purchasing bananas from HL
Cocoa Small Producer Organisations	Price/premium payers purchasing cocoa from SPOs
Coffee Small Producer Organisations	Price/premium payers purchasing coffee from SPOs
Dried fruit SPO	Price/premium payers purchasing dried fruit from SPOs
Fresh fruit SPO	Price/premium payers purchasing fresh fruit from SPOs
Fresh fruit HL	Price/premium payers purchasing fresh fruit from HL

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Fruit juices SPO	Price/premium payers purchasing fruit juice from SPOs
Fruit juices HL	Price/premium payers purchasing fruit juice from HL
Herbs & spices SPO	Price/premium payers purchasing herbs/spices from SPOs
Honey SPO	Price/premium payers purchasing honey from SPOs
Nuts & oil seeds SPO	Price/premium payers purchasing nuts/oil seed from SPOs
Quinoa SPO	Price/premium payers purchasing quinoa from SPOs
Rice SPO	Price/premium payers purchasing rice from SPOs
Cane sugar SPO	Price/premium payers purchasing cane sugar from SPOs
Soybeans & pulses SPO	Price/premium payers purchasing soybean/pulses from SPOs
Tea SPO	Price/premium payers purchasing tea from SPOs
Tea HL	Price/premium payers purchasing tea from HL
Wine grapes SPO	Price/premium payers purchasing wine grapes from SPOs
Wine grapes HL	Price/premium payers purchasing wine grapes from HL
Flowers and plants HL	Price/premium payers purchasing flowers/plants from HL
Seed cotton SPO	Price/premium payers purchasing seed cotton from SPOs
Sportsballs HL	Price/premium payers

Fresh Veg SPO	purchasing sportsballs from HL
Fresh Veg HL	Price/premium payers purchasing vegetables from SPOs
Gold SPO	Price/premium payers purchasing vegetables from HL
	Price/premium payers purchasing gold from SPOs

SPO = Small Producer Organisation. HL = Hired Labour.

Please note the Prices will be updated regularly – if you have printed them off please check the website for the latest version. If you need reference to previous prices or versions of the Standards please contact the certification department at licensing@fairtrade.org.uk.

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3.01-7 Contractual arrangements between importers and producers

THIS SECTION APPLIES TO FAIRTRADE PAYERS – IMPORTERS RESPONSIBLE FOR PAYING THE FAIRTRADE PRICE AND/OR FAIRTRADE PREMIUM TO THE PRODUCER ORGANISATION OR CONVEYOR IN THE PRODUCER COUNTRY

3.01 Contractual arrangements

(FLO GTS Intent) Contracts between producers and buyers set the framework for Fairtrade trade operations. It is important that the contractual obligations are mutually agreed, well documented, and clearly understood by the contracting parties.

Guidance: The price and premium payer depends on which level the price is set in the FLO Part C Trade Standards:

If the price is Farm Gate or Ex Works then the company buying from the producer organisation at the Farm Gate is the payer. This could be either an importer, a processor in Producer or the exporter. If the price is set at FOB, and the producer organisation is exporting the product itself, then the importer is the payer. If the price is set at FOB, but the producer organisation is not exporting the product itself (i.e. there is an independent exporter) then the responsibility lies with both the exporter and the importer to ensure that the correct price and premium is paid. Typically, the importer is considered the payer (i.e. responsible for ensuring that the price and premium are paid) and the exporter is considered a conveyor (i.e. responsible for passing the correct price and premium on to the producer. In this situation, the importer pays the price and premium to the exporter who then passes the money on to the producer. The responsibilities of each party (importer and exporter) in relation to ensuring the correct price and premium are paid should be defined in the contract between them. Alternatively if the Operator importing has a direct relationship with the producer they pay the premium directly to the producer, therefore in essence by passing the exporter.

3.01.01 (FLO GTS 3.1) Payers must sign binding purchase contracts with producers or conveyors. Unless otherwise stated in the product standards, contracts must as a minimum clearly indicate:

- agreed volumes
- quality
- price
- payment terms
- delivery conditions
- arbitration mechanism agreed by both parties.

Specific requirements in the Part C Trade Standards apply to: bananas, coffee, dried fruit, fresh fruit, fruit juices and soybeans and pulses. Please see **Annex 3.2**.

Importers buying through an exporter where the price is set an FOB, see FLO Price and Premium Table, are required to have a contract with that exporter, conveyor as above, see price and premium table (NB. This is relevant to all product categories except cotton and wine)

FLO guidance: Contracts must be written for all products bought and sold under this standard.

Responsibility for drawing up the contract should be mutually agreed on. Where no agreement can be reached then the responsibility to draw up the contract rests with the buyer who must also

For fresh fruit consignment sales see 3.09.

Suspension

3.01.02 (FLO-CERT suspension rule) In the event an operator is suspended, they may continue to deliver on Fairtrade products for up to 6 months post suspension date. The rules around this differ depending on whether there is already a contract in place. There are 3 possible solutions:

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1. If the suspended Operator has formal contracts in place prior to suspension which represent more than 50% of the total volumes traded as Fairtrade by the suspended Operator in the 12 months previous to the suspension, those contracts can be honoured but delivery must be within a maximum period of 6 months after the suspension.
2. If the suspended Operator has formal contracts in place prior to suspension which represent less than 50% of the volumes traded as Fairtrade by the suspended Operator in the 12 months previous to the suspension, those contracts can be honoured and further formal contracts may be entered into for volumes that would take the total up to 50% of that which was traded as Fairtrade in the 12 months previous to the suspension. Those contracts may be honoured but delivery must be within a maximum period of 6 months after the suspension.
3. If the suspended Operator does not have a formal contract in place prior to the suspension, they may enter into formal contracts with other Operators with which he has an existing trade relationship. Such contracts may represent no more than 50% of the volumes traded as Fairtrade by the suspended Operator within the 12 months previous to the suspension and must be delivered within a maximum period of 6 months after the suspension .

Decertification

- 3.01.03** (FLO GTS 3.3) Where an Operator is decertified, they must immediately stop buying or selling products as Fairtrade certified. This standard is applicable from the date of decertification. Contracts with a decertified Operator that have been fulfilled before the date of decertification shall be accepted. Contracts that have not been fulfilled at the point of decertification shall not be classified as Fairtrade contracts.

FLO guidance: This standard makes it clear that from the date of decertification, Operators must not purchase products from, or sell products to, decertified Operators for sale as a certified product.

The standard also clarifies that where a certified product from a decertified Operator has been delivered before the date of decertification, then it shall be accepted as certified. For example, in an FOB contract, if the product is on board before the decertification then it shall be accepted. Product which has not yet been delivered for a contract already signed is no longer considered Fairtrade product.

Disadvantageous terms

- 3.01.04** (FLO GTS 3.4) Payers must not offer to buy certified products from a producer on condition that the producer sells a quantity of non-certified product under terms that are distinctly disadvantageous to the producer.

FLO guidance: This standard applies to Fairtrade payers who buy both certified and non-certified products from the same producer.

The standard makes it a requirement that the purchase of non-certified products under terms that are distinctly disadvantageous to the producer must never be undertaken as a condition for certified purchases. The certifier will determine whether any given transaction can be considered as 'distinctly disadvantageous'.

Producers that feel they have experienced disadvantageous practices by Fairtrade payers should document their concerns and send these as a complaint to the certifier.

Access to contracts by producers

- 3.01.05** (FLO GTS 3.5) Producers must have access to the contracts signed between conveyors and Fairtrade payers.

FLO guidance: This standard makes it a requirement that conveyors must give producers access to the contracts they have signed with Fairtrade payers. This means that on request from a producer, the conveyor must make a copy of the relevant contract(s) available to that producer.

Quality claims

- 3.01.06** Claims associated with specific consignments must be documented according to the relevant trade policy requirements on claims, and applications must be made within the required time periods.

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This standard relates to specific claims that may form the basis of disputes between a producer and a buyer. The standard requires that Operators try to resolve any such disputes, but where this is not possible the Operator must document the claim according to the requirements of the relevant FLO Product Standard if specified and if not the industry norm. The Operator must follow the certifier's procedures for claims and resolutions where these exist.

3.01.07 Operators must also comply with the FLO Part C Trade Standards, which specify additional requirements for some products – see the table in paragraph **3.06.01** for a summary.

3.02 Sustaining trade

(FLO intent) Fairtrade aims to create sustainable trade partnerships between producers and their buyers, which enable producers to have long-term access to markets under viable conditions. Above and beyond standard requirements, it is important that these relationships grow stronger over time and are based on mutual respect, transparency and commitment.

Exchange of information is one important element of the trade relationship, in particular for producers. Sourcing plans allow producers to plan their production more effectively, and to ensure that they can deliver the required amounts of products (of the required quality) to buyers. The aim is to encourage buyers to facilitate the planning process for producers.

Buyers are also encouraged to give any additional assistance they can mutually agree on with producers. Tools such as information sharing, price updates, quality training, risk sharing plans and others should be considered.

Sourcing plans

3.02.01 (FLO GTS 4.1) Payers (including those making purchases via marketing boards) must provide a sourcing plan to each producer from whom they plan to buy, as well as to conveyors, if applicable.

Specific requirements in the Part C Trade Standards apply. There are available on the FLO website. With the exception of flowers and bananas sourcing plans are not binding. In the Part C Trade Standards for flowers and bananas, the sourcing plan indicates which percentage of the sourcing plan is binding.

This standard makes it a requirement that every Operator planning to buy from a particular producer must provide a sourcing plan to that producer. The certifier will expect to see evidence that a sourcing plan has been provided to each producer. Wherever applicable, the payer will have the sourcing plan with a conveyor who will in turn provide it to the producer.

Sourcing plans are developed with reference to qualities, quantities, dates of delivery or purchase, price or value as outlined in the product standards.

Buyers are encouraged to use the buying pattern of the previous season or year as a guide for the development of their sourcing plans. In cases where no prior buying patterns exist (i.e. when the buyer, producer, or product is new within the trading relationship) the buyer should make a reasonable estimate.

The applicable timing for the provision of sourcing plans to producers is further defined in the product standards.

Any buyer who is purchasing a certified product that is exported via a marketing board must nonetheless provide a sourcing plan to the producer. Buyers may also consider sharing the sourcing plan with the marketing board to help planning.

3.03 Pre-finance

(FLO intent) Pre-finance is one of the core benefits for producers within the Fairtrade system. The intention of this section is to help producers gain access to reasonable forms of financial assistance to support their purchases from members.

Pre-finance should be provided as soon as possible after signature of contract to ensure that producers can make the most effective use of it.

Fairtrade encourages traders to offer other forms of financing or payment such as 'pre-payment', 'advance-payment' and/or 'crop-finance' to producers. However, this standard refers to 'pre-finance' only in relation to payments which are made against agreed contracts between producers and buyers for Fairtrade products. Pre-finance payments are payments which usually attract interest.

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The standards explicitly state that buyers may explore possibilities to seek pre-finance via third parties. However, the interest rates that the producer pays on such pre-finance agreements must not be higher than the buyer's cost of borrowing from the third party.

The percentage limitation for pre-finance represents the maximum that buyers are required to pay, if producers request it. However, buyers are encouraged to provide higher percentages of pre-financing if so desired by the producer, upon mutual agreement.

3.03.01 (FLO GTS 5.1) Producers may request pre-finance from Fairtrade payers against agreed time periods and, where required, against specific quantities, unless otherwise specified in the product standards.

(FLO Part C Trade Standard) The pre-finance requirements do not apply to bananas, sports balls, flowers and fresh fruit, for which pre-finance agreements are negotiated directly between the producer and the Fairtrade payer. For the other products, the Part C Trade Standards specify when the pre-finance has to be made available. These Part C Trade Standards are in **Annex 3.2**.

Where marketing boards exist, pre-finance requirements are not applicable to the relevant products.

FLO guidance: This standard makes it an option for producers to request pre-financing from Fairtrade payers. With this standard, the onus rests with the producer to request pre-finance against agreed contracts from the Fairtrade payer of that contract.

Fairtrade payers may choose, with the agreement of the producer, to offer pre-finance, via a third party.

Where producers feel that they are being coerced into not requesting pre-finance, they are encouraged to document a complaint for further investigation to the certifier.

3.03.02 (FLO GTS 5.2) Where pre-financing is requested and unless otherwise stated in the product standards, Fairtrade payers must provide pre-finance up to 60% of the contract value. The minimum percentage of the pre-finance must be defined by the producer.

FLO guidance: Producers may request pre-finance of up to 60% of the contract value. Buyers must provide the pre-finance requested.

Producers may use the Fairtrade minimum price level (where this exists) when calculating the pre-finance value. For products that do not have minimum prices or when market prices are higher than the Fairtrade minimum price, then the contract value may be used.

The level of the pre-finance must be determined by the producer, up to 60%.

Where both parties are in agreement, pre-finance exceeding 60% of the contract value can be given.

3.03.03 (FLO GTS 5.3) Fairtrade payers must make pre-financing available from the point of signature of contract onwards and not later than a specified time period as stated in the product standard.

FLO guidance: This standard makes a distinction between making a request for pre-finance and the actual delivery of the pre-finance. While the request must be made when orders have been confirmed, this standard requires that the pre-finance is made effectively available for use (delivered) by the Fairtrade payer to the producer as soon as possible after the contract is signed. At the latest, pre-finance must be delivered within the time period determined in the product standard.

3.03.04 (FLO GTS 5.4) Where a sufficiently high level of risk of non-repayment or non-delivery has been associated with a particular producer, and only where that level of risk has been assessed and verified via a third party lender, then the pre-finance requirements under **standards 3.03.02** and **3.03.03** do not have to be met.

This standard gives an option to the Fairtrade payer to request from the certifier that requirements under standards 5.2 (3.3.02 above) and 5.3 (3.3.03 above) do not have to be met.

The assessment mechanism will be via a third party lender. Where the Fairtrade payer views a particular producer requesting pre-finance as 'high risk', they must approach a third party lender to request pre-financing for the producer. Where the lender agrees, then this must be done. Where the lender undertakes an assessment and classifies the producer group as 'high risk' and will not provide pre-finance, then this assessment report from the lender must be submitted to the certifier.

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Where buyers are deemed to assess their producer partners persistently as being 'high risk', the certifier may request an additional verification from an additional third party lender. The interpretation of 'persistently' in this context will be determined by the certifier.

Interest charges

- 3.03.05** (FLO GTS 5.5) Interest charges on the pre-financed value must be agreed by both the buyer and the producer. They must not exceed the buyer's current cost of borrowing (including administrative costs), and buyers are encouraged to make pre-finance available on better terms (at lower rates of interest) to the producer.

FLO guidance: The buyer is allowed to charge interest on the pre-financed amount. The interest rate must not exceed the buyer's cost of borrowing. Both parties must agree on the level of interest that is charged on the pre-financed amount.

Agreement on the interest rate may include consideration of any administrative costs that have been incurred by the buyer in organising and delivering the pre-finance.

National and local legislation

- 3.03.06** (FLO GTS 5.6) The requirements of local and national legislation take priority where they conflict with these requirements on pre-finance.

FLO guidance: In cases where local and national legislation means that the Fairtrade payer is not legally permitted to pay pre-finance, this standard does not apply. In such cases, it is important that the Fairtrade payer communicates the legal restrictions to the producer.

Contracts and credit agreements

- 3.03.07** (FLO GTS 5.7) When pre-finance has been agreed upon, the Fairtrade payer must document either a separate pre-finance section within the contract or a separate credit agreement with the producer.

FLO guidance: Under this standard, the provision of pre-finance must be documented as a separate section within the contract or as a separate credit agreement. This means that the pre-finance facility should be documented in a clear agreement including terms and conditions for both parties. This should include the amounts to be pre-financed, start dates, date of repayment, consignment contract details, rates of interest, and options for collection of payment (i.e. from the contract payments).

3.04 Pricing

(FLO Intent) The Fairtrade minimum price or relevant market price and the Fairtrade premium are core benefits of the Fairtrade system for producers. The payment of the Fairtrade minimum price and Fairtrade premium is a key function of those trade Operators that buy from producers and are responsible for paying the Fairtrade price (the 'Fairtrade payer'). Fairtrade minimum prices are meant to protect and reduce the risks for producers in the event that market prices fall.

Fairtrade minimum price

- 3.04.01** (FLO GTS 6.1) Fairtrade payers must pay to producers or conveyors at least the Fairtrade minimum price for the product contracted, where it exists, or the relevant market price where no Fairtrade minimum price exists. When the relevant market price for a product is higher than the Fairtrade minimum price, then at least the market price must be paid.

FLO guidance: The Fairtrade minimum price of a product, where it exists, is the lowest possible price that the Fairtrade payer may pay to the producer. The Fairtrade minimum price is the starting point for price negotiations between the producer and the Fairtrade payer. When the relevant market price for a product is higher than the Fairtrade minimum price, then at least this higher market price must be paid.

Both parties must keep evidence of the price level and how it was agreed. Either party can demonstrate the market price based on agreements/contracts with other clients/suppliers for a similar time period (if and when required).

The Fairtrade minimum price includes any reference to organic prices or organic price differentials. Fairtrade payers must refer to the Fairtrade minimum price information which is published separately in the FLO Fairtrade minimum price and Fairtrade premium table.

The prices are specified in the FLO document – Fairtrade minimum price and Fairtrade premium

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table. www.fairtrade.net and in **Annex 3.1.01**.

- 3.04.02** (FLO GTS 6.3) The price may be set, by mutual agreement, for any future delivery date, unless otherwise stated in the product standards.

FLO guidance: This standard gives both the Fairtrade payer and the producer the option to determine when and how the price is fixed, unless this has already been defined in the product standards. This means that as long as both parties are in agreement about when and how the price is fixed and the requirements under standard 3.04.01 above and 3.04.06 below have been met, then they will be in compliance with this standard.

- 3.04.03** (FLO GTS 6.4) Fairtrade minimum prices are set at one or several levels in the trade chain.

Fairtrade minimum prices apply up until the point where producers are responsible for the product. Where there is no available price for the appropriate level of responsibility of the producer, then the minimum price has to be adapted accordingly.

In the case of a Small Producers' Organisation, Fairtrade minimum prices are set at the level of the producer organisation, not at the level of individual producers (members of the organisation).

FLO guidance: Fairtrade minimum prices are set at one or several levels in the trade chain: Farm Gate (see the specific FLO definition of farm gate), Ex Works (EXW), Free on Board (FOB), or other Inco Term levels.

For each product sale, only one minimum price is applied, that is, at the price level where the producer's responsibility ends.

Fairtrade minimum prices set at farm gate and EXW are only applicable to producers who do not export the product themselves

For example, if a producer organisation is responsible for a product up to farm gate level, then the farm gate price applies (where it exists).

If no price exists for the relevant level of responsibility of the producer, then the minimum price must be adapted accordingly. For producers who go beyond the level of responsibility implied by the price, any additional costs borne by the producer should be added to the minimum price. Where the producer's responsibility ends before the level at which the price is set, then reasonable costs included in the price but not borne by the producer may be deducted from the minimum price. These costs should be documented. The interpretation of 'reasonable cost' in this context will be determined by the certifier.

For example, if a producer is responsible for all costs up to farm gate level but not beyond, but the Fairtrade minimum price is only set at FOB level for that product, then the price the producer receives from the Fairtrade payer will be the FOB price minus reasonable transport and export costs.

- 3.04.04** (FLO GTS 6.8) New Fairtrade minimum prices apply from the date of their announcement by FLO unless otherwise defined by FLO. However, existing contracts must be honoured at the price already agreed on.

FLO guidance: New Fairtrade prices announced by FLO will come into effect on the date of their announcement and must be applied by Operators from that date on, unless otherwise defined by FLO. The new prices relate to new contracts being negotiated from that date onwards.

For existing contracts where the price has already been agreed and fixed, then the original price must be honoured. This applies even where the delivery date of that contract is in the future.

- 3.04.05** (FLO GTS 6.5) Cases may also arise where Fairtrade minimum prices are set at relevant levels, but where the producer or the payer bears the costs of certain activities which are not reflected in the price.

Where a producer bears a cost which is not included in the Fairtrade minimum price, then this additional cost must be added to the Fairtrade minimum price paid to the producer.

Conversely, where a certain cost is included in the Fairtrade minimum price, but the producer is not responsible for that cost, then that cost may be deducted from the Fairtrade minimum price paid to the producer.

FLO guidance: For example, if a producer takes responsibility for an activity which is not included in the Fairtrade minimum price (e.g. transport to the harbour, specific packing or processing), the cost of this additional activity will be added to the Fairtrade minimum price paid by the Fairtrade payer to the

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producer.

On the other hand, if a producer receives inputs in kind from the Fairtrade payer and the producer does not pay for them, then the costs of these inputs must be documented and may be deducted from the price paid by the Fairtrade payer to the producer.

Fairtrade premium

3.04.06 (FLO GTS 6.2) Fairtrade payers must additionally pay a Fairtrade premium for the product. Where applicable, conveyors are responsible for passing the Fairtrade premium on to the producer. Rules for payment apply differently to different types of Fairtrade organisations, as follows:

- For Small Producers' Organisations, payment must be made directly to the certified Small Producers' Organisation.
- For Hired Labour Situations, payment must be made directly to the account of the Joint Body of the certified Hired Labour Operator.
- For Contract Production Projects, payment must be made directly to a separate account for which the Promoting Body or its nominee is responsible.
- Where appropriate, payment may also be made to a Premium Trust fund or Premium Channel, or to another agreed third party with the written permission of the producer.

FLO guidance: Fairtrade payers must pay a Fairtrade premium for the products purchased, as specified in the relevant Fairtrade product standards.

The requirements for who should receive the payment vary according to the type of producer organisation being paid. The producer may request that payment is made via a third party where this is appropriate.

*Fairtrade payers must refer to the Fairtrade premium information, which is published separately in the FLO Fairtrade minimum price and Fairtrade premium table. See **Annex 3.1.01**.*

No discounts are allowed to be made from the Fairtrade premium payment.

Payment methods

3.04.07 (FLO GTS 6.6) Unless otherwise specified in the Part C Trade Standards, Fairtrade payers may use any available payment method as long as it is transparent, traceable and mutually agreed between the Fairtrade payer and the producer. Payments of price and premium should be identified separately on invoices.

FLO guidance: This standard allows for both parties to come to an agreement on the best mechanism for payment and receipt of payment. Any financial instrument available to the Operator can be used (for example: letter of credit; bank transfer) as long as the payment method is agreed between both parties.

All forms of payment must be transparent and traceable. The responsibility for demonstrating payment to the certifier rests with the Fairtrade payer.

3.04.08 (FLO GTS 6.7) Payment of the Fairtrade price must be made no later than 30 days after date of invoice unless otherwise specified in the product standard.

FLO guidance: The standard states that payment of Fairtrade prices must be made no later than 30 days after the date of invoice. The product standards may specify different terms.

The Fairtrade price consists of the Fairtrade minimum price (where they exist and are applicable) and of the Fairtrade premium.

*Product specific Trade Part C Standards have different requirement for payment terms. These are detailed in **Annex 3.2**.*

3.05 Retroactive certification of producer's stock

Foundation policy: To help support disadvantaged farmers in the developing world, the Foundation supports the FLO policy on retroactive certification of the harvest immediately prior to the producer achieving full certification with FLO-CERT, thus ensuring that the producer benefits from the payment of an additional Fairtrade price and premium.

3.05.01 (FLO GTS 1.2) Unless otherwise stated in the product standards, certified producers may sell

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products that have been held in stock for a maximum of one year before the certification was initially granted as certified.

FLO guidance: This standard relates to crops harvested before the producer was certified. It also applies to non-agricultural products that are 'held in stock'.

*It means that a producer obtaining certification may begin selling recently harvested/stocked products without having to wait for the next harvest or production. If a payer has already purchased stock from the previous harvest they may apply for retro-certification as defined in **part 6**.*

Traceability requirements will be applied to these products.

3.06 FLO Part C Trade Standards

3.06.01 The FLO Part C Trade Standards specify the requirements for the Fairtrade price and premium payer for the specific Fairtrade commodities. The following table identifies where there are additional requirements in the product specific standards. The operator shall comply with the requirements of the product standards relevant to their Fairtrade purchases. The FLO Product Standards can be accessed on the FLO website www.fairtrade.net. Each 'A' identifies that there is an additional requirement to the GTS in the product specific Standard.

NB: HL refers to Hired Labour. SPO refers to Small Producer Organisations

Part C Trade Standard	Bananas SPO & HL	Cane sugar SPO	Cocoa SPO	Coffee SPO	Dried fruit SPO	Flowers & plants HL	Fresh fruit & veg SPO & HL	Fruit juice SPO & HL	Gold	Herbs & spices SPO	Honey SPO	Nuts & seeds SPO	Quinoa SPO	Rice SPO	Seed cotton SPO	Sports balls HL	Soybeans & pulses SPO	Tea SPO & HL	Wine & grapes SPO & HL
5. Contracts	A		A	A	A		A	A									A		
6. Sustaining trade	A	A	A	A	A	A	A	A		A	A	A	A	A	A		A	A	A
7. Pre-finance		A	A		A			A		A	A	A	A	A	A		A	A	A
8. Pricing	A	A	A	A	A	A	A			A						A		A	
Payment terms	A	A	A	A	A	A	A	A		A	A	A	A	A	A	A	A	A	
9. General						A								A	A				
9. Qualities		A									A	A							
9. Non-Fairtrade sales	A																		
9. Shipment conditions	A																		
9. Force majeure	A																		
9. Shortfall in sales	A																		
10. Additions for cotton															A				
Annex 1										A									

NB Please note that for Cocoa the FLO Product Standards was updated in October 2010 and for Tea in December 2010, the table above has been updated accordingly. Please note that for Bananas a new update to the FLO Product Standards comes into effect from 1st April 2011. Full details of the updates are given in the explanatory documents on the FLO website www.fairtrade.net.

3.7.01 Producer groups are certified by FLO-CERT. However there are circumstances where FLO-CERT cannot audit a producer group due to safety concerns and duty of care for the auditor. In these cases the Fairtrade Foundation may consider an exception based on an agreed policy where FLO-CERT

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conduct a desk audit.

3.08 Additional requirements

3.08.01 When purchasing a processed Fairtrade product the price and premium is calculated on the amount of unprocessed Fairtrade raw material used to make the product.

Purchasing from small producer organisations: groups:

3.08.02 The operator must ensure that Fairtrade certified products are purchased from producer organisations and not purchased from individual Fairtrade members of the organisation.

Importing wine

3.08.03 An operator responsible for paying price and/or premium on wine must ensure through written evidence (purchase invoices, delivery notes, receipt of goods forms, product specifications, processing records, calculation schemes, sales invoices) that they must either provide their own auditable conversion rates back to the weight of the grape or use the conversion rates confirmed by the Fairtrade Foundation

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3.09 Fairtrade Consignment Sales

THIS SECTION APPLIES TO FAIRTRADE PAYERS PURCHASING FRESH FRUIT, EXCLUDING BANANAS – IMPORTERS RESPONSIBLE FOR PAYING THE FAIRTRADE PRICE AND/OR FAIRTRADE PREMIUM TO THE PRODUCER ORGANISATION OR CONVEYOR IN THE PRODUCER COUNTRY

3.09 Fairtrade Consignment sales

Fairtrade Consignment Sales are defined as where an Importer, payer, orders a quantity of product from a Fairtrade certified producer, with the agreement that they shall make their best efforts to sell as much as possible as Fairtrade. The balance is sold as, non-Fairtrade Product. It is important to note that the payment of the minimum price must be paid to the producer on the entire consignment within the timeframes specified in the Fairtrade Standards. It is only the premium that can be paid later according to what has been sold Fairtrade.

Fairtrade Consignment Sales are being permitted to address the realities of trade of Fresh Fruit into the UK. Further research will be conducted in this area to determine how the Fairtrade Standards should be developed and if this allowance should be continued. Monitoring of operator's trade through these Standards will be part of this research.

3.09.01 The payer shall have a binding purchase contract with the producer group or conveyor for the total consignment they intend to purchase, from which they will sell as much as possible as Fairtrade. This contract shall include the requirements of 3.01.01 and Part 5 of the FLO Product Standard for Fresh Fruit and in addition it shall define:

- Their intention to sell as much of the product received as possible as Fairtrade
- The minimum volume that they agree to sell as Fairtrade within the period
- The price they will pay for the total consignment: This must be in line with the FLO Product Standards for Fresh Fruit
- The payment timeframe for purchase of the total consignment: This must in line with the FLO Product Standard for Fresh Fruit
- The Premium they will pay in relation to how much of the consignment they sell as Fairtrade.
- The timeframes for payment of the premium. This must be no greater than 8 weeks after the they sell the product as Fairtrade.

3.09.02 The payer must have auditable records to demonstrate that the terms of this agreement are met

3.09.03 The payer must report to the Foundation on the Fairtrade consignment sale and how premium payments made to producers or conveyors relate to the sales of each consignment (see **Part 5** for reporting)

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3.10 Retro-active Certification of Tea (Camellia Sinensis)

THIS SECTION APPLIES TO FAIRTRADE PAYERS PURCHASING FAIRTRADE CAMILLIA SINENSIS.

(FLO Intent) *Retro-certification for Tea (Camellia Sinensis) is re-instated as an allowable exception to Fairtrade Standards from 1st November 2010 on the basis that it can be a useful sales tool to develop new markets/new products and to meet promotional/seasonal demand to the benefit of all.*

Retro-certification must not be used simply as a means to improve buyer cash flow at the expense of Fairtrade tea producers. Abuse/misuse of Retro may result in buyer suspension

The Retro-certification of tea defined in this procedure only applies to tea purchased under definition a) below. To make Retro-certification easier, clearer and more transparent a new process/system will apply:, with (1) clearer definition; (2) a special permission; (3) volume and time limits; (4) a new tool: numbered Retro Advice Note; (5) a compulsory process and (6) a monitoring.

Definitions

3.10.01 The following definitions shall apply:

- a) **Retroactive product certification (Retro-certification):** When an importer has bought a product from a Fairtrade certified producer or exporter under non-Fairtrade conditions and now wishes to convert it into a Fairtrade certified product by paying the FLO Fairtrade price and/or premium.
- b) **Declaration date:** The date of the Producer's written confirmation or agreement of the Retro Advice Note that permits the change of status of the tea: from non-Fairtrade to Fairtrade. Teas must be declared Fairtrade before they are packed/re-sold.
- c) **Retro Advice Note:** The document specified in **Appendix 1**, which must be used to record each batch of tea subject to retro-certification.
- d) **Payer Status:** Where an importer purchases from a conveyor (exporter), the importer shall either:
 - i) Agree with the exporter/conveyor that the additional price and/or premium shall be paid directly to the producer organisation and apply the procedure as written; or
 - ii) Agree to work through the exporter/conveyor and require the exporter/conveyor to arrange for the draft Retro Certification Note to be approved by the producer organisation and pass on the completed Notes and payments to the producer organisation within the payment periods specified in the Product Specific Standards.

Retro permission

3.10.02 Instead of permission being sought for each individual exception as previous; 'Buyers' (defined as Traders/Conveyors/Importers) of tea shall **notify the Foundation in advance** of their interest in Retro-certification of tea.

3.10.03 Then, they have **automatic** permission to Retro-certify within agreed limits (see paragraphs **3.10.04.1 & 3.10.04.2**). The permission is subject to compliance with the requirements and may be revoked by the certifier if there is misuse or abuse of the process.

3.10.04 The Retro-certification is for 'buyers' of Tea where, the following is demonstrated.

1. The buyer is up to date with their Flow of Goods reports
2. Retro transactions fall within the volume and time limit of the standard (see paragraphs **3.10.06 to 3.10.07**)
3. Retro transactions are properly documented: i.e. using the Retro Advice Note (see paragraphs **3.10.08 and 3.10.09**) and the compulsory process (see paragraphs **3.10.10 to 3.10.12**)
4. Producer organisations receive benefit from Retro transactions (such as improved sales/volume) and the Fairtrade Premium and any Fairtrade price adjustments are made in full on the due date.

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- 3.10.05** In the event of legitimate complaints of non-payment, under-payment or late payment of FT premiums the buyer will lose permission to Retro-certify until they demonstrate a willingness and ability to administer premium payments with full compliance to the standard.

Retro Certification limits

CTC African Teas

- 3.10.06** For CTC African teas, buyers may Retro-certify up to 30% of the volume purchased on original invoice from Fairtrade certified producers. Teas may be retrospectively declared as Fairtrade up to 3 months after the month of the original purchase invoice.

Orthodox and non African CTC Teas

- 3.10.07** For Orthodox and non-African CTC teas, buyers may Retro-certify up to 100% of the volume purchased on original invoice from Fairtrade certified producers. Teas may be retrospectively declared as Fairtrade up to 6 months after the month of original purchase invoice.

Retro Advice note (see template)

- 3.10.08** Full transparency on retro transactions must be achieved by using the Retro Advice Note template. An example of a Retro Advise Note template can be found at the end of this section and can be obtained from the Foundation as a Word document.

- 3.10.09** If required each tea certifier/tea buying can develop their own template, but it has must include the following:

Copy of original purchase invoice: Including invoice date, FLO Tea producer name, address and ID.

Quantity purchased (Kg) and price paid: Where possible the quantity purchased as Fairtrade (and as non-Fairtrade) must be specified on original invoice.

FLO Tea Producer name, address and ID.

Date of declaration (day/month/year): Which is the date when the tea producer confirms acceptance and thus information about the Retro certification transaction.

Retro Quantity of Tea (Kg) declared as Fairtrade: Plus how much (in %) it represents from the total volume bought on the invoice. This shall help everyone to control that volume limits are respected.

Due Fairtrade premium per Kg: According to the applicable Fairtrade Price per Kg.

Total Premium payment due

Fairtrade Price adjustment where applicable: If the original price paid is below the applicable FT minimum price.

Total Price adjustment due: Where applicable.

Payment due date: As per the tea standard payment requirement.

The Retro Transaction numbers.

Buyers must issue a consecutive transaction number to each Retro Advice Note between two operators. The number must include: Trader name and ID/ Producer Name and ID/ Year/ Transaction number (starting with 001).

For example: Smith824/TeaProducer9851/10/001, Smith824/TeaProducer9851/10/002, etc.

This number must be quoted on the Retro Advice Note and on Bank Transfers so that it is easy to cross reference FT payments made and received to the relevant documents. Consecutive numbers will favour transparency by enabling the tracking of one transaction after another.

Justification for Retro-Certification: Tea buyers can justify Retro-Certification as an exception for the following reasons:

- Where product is bought on one-off annual seasonal basis (forecasting demand difficult).
- Where product is required at short notice due increased sales/demand (promotional volume).

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- Where product is required for new customers/new products (incremental producer volume).
- Where there is shortage of FT teas in the market due to unforeseen circumstances (adverse climate, civil unrest, logistical difficulties etc) .
- Other exceptions considered, where producer benefit demonstrated (increased sales/volume).

Note :Improving conveyor cash flow is not a valid justification for retro-certification.

Required procedure

3.10.10 When a buyer wants to buy retro-certified tea, they must:

- Inform the certifier prior to the initial Retro transaction. Thereafter it is not required.
- Draft a Retro Advice Note, including all the required information.
- Send the draft Retro advice Note to the tea producer, along with a copy of the original invoice.
- Seek the producer's written agreement (by e-mail or fax) via approval of the Retro Advice Note.
- Once the producer's agreement is confirmed (= Declaration Date) the specified tea volume can be packed/sold as Fairtrade.
- Both parties keep a copy of signed Retro Advice Note. Annual audits/inspections will check the original invoices, Retro Advice Notes as well as proof of payment.
- A copy of the signed Retro Advice Note must also be sent to: retro.tea@fairtrade.org.uk by the Trader within 5 working days of the declaration date. This inbox is a Fairtrade Foundation inbox and serves for monitoring.

3.10.11 The information will be treated confidentially.

3.10.12 Retro-certified volumes are to be reported and clearly identified within the quarterly report submitted to the Foundation

Monitoring

3.10.13 FLO intends to work closely with buyers/traders and producers to ensure that the new system works well to everyone's benefit. Thus it is important to keep the Foundation informed via the electronic post box retro.tea@fairtrade.org.uk and the Foundation will forward this on to FLO. Complaints regarding Retro rules and their application may also be sent to this address for the purpose of improving those rules in the context of a future standards review.

3.10.14 Complaints about misuse of Retro Certification may lead to removal of Retro permission. Such complaints can be sent to retro.tea@fairtrade.org.uk.

FLO also anticipates an enhanced level of reporting and inspection by the certifier, at least during the first year.

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RETRO-CERTIFICATION ADVICE NOTE

This document is to be used in accordance with the procedures set out in the FLO Standard for the Retro-certification of Fairtrade Black Tea (Camellia Sinensis)

Trader/Buyer issuing this document:	2.Transaction number: (e.g.Smith824/TeaProducer9851/2010/006)
3. Tea Producer name, address, FLO ID:	4. Exporter/conveyor: (where relevant)
5. Purchase invoice Number & Date of issue Number:	6. Trade name of the product:
7. Date of original invoice	8. Date of Declaration: (date producer organisation agrees to the retro-certification of the consignment)
7. Total weight of original invoice (Kg):	8. Retro Qty of Tea (Kg) declared as FT:
9. Percentage of the total volume bought:	10. type of tea: <input type="checkbox"/> CTC tea from Africa <input type="checkbox"/> Orthodox teas and non African CTC
For CTC African teas, buyers may Retro-certify up to 30% of volume purchased on original invoice from Fairtrade certified producers. Teas may be retrospectively declared as Fairtrade up to 3 months after month of the original purchase invoice. For Orthodox and non African CTC teas, buyers may Retro-certify up to 100% of volume purchased on original invoice from Fairtrade certified producers. Teas may be retrospectively declared as Fairtrade up to 6 months after month of original purchase invoice.	
11. FT premium per Kg: (according to the applicable FT premium)	12. Total Premium payment due:
13. FT Price adjustment: (where applicable if original price paid is below applicable FT minimum price)	14. Total Price adjustment due: (where applicable)
15. Payment date due:	
Give the justification for the Retroactive certification:	Yes
Product is bought on one-off annual seasonal basis (forecasting of future demand difficult)	
Product is required at short notice to meet increased sales/demand (promotional volume)	
Product is required for new customers/new products (incremental producer volume)	
There is shortage of FT teas in the market due to unforeseen circumstances (adverse climate, civil unrest, logistical difficulties etc)	
Other exceptions considered, provided producer benefit demonstrated (increased sales/volume)	
Authorised by the issuing organisation: Date: Signature (digital if sent as an electronic document or physical if faxed): Name & Position:	Approved by the producer organisation: Date: Signature (digital if sent as an electronic document or physical if faxed): Name & Position

Once approved, a copy of this document should be sent by the Trader to retro.tea@fairtrade.org.uk within 5 working days.

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