

From: Jill Southard – Fair Trade USA

To: Richard Mandelbaum, DFTA

Re: DFTA Evaluation of FTUSA Standards

Date: November 18, 2013

Dear Richard,

Thank you for your thoughtful review and input into the Fair Trade USA standards. Following are our responses, along with additional information and clarification that we hope help to address the concerns you have highlighted regarding FTUSA's standards. As a result of your review we have noted several areas where the intent of the standard may not be coming through clearly enough, and will attempt to clarify and strengthen the language in future revisions of existing standards and in all new standards development work.

1. Regarding the DFTA's concern that FTUSA's program does not require additional benefits to accrue to small producers - in fact the opposite is true:

One of the most important areas of benefit to small producers in Fair Trade is the Fair Trade Premium. With small producers (both independent and in coops), this premium goes directly to the small farmers fund where democratic decision making by the farmers determines how it is invested. In the case of large farms, the Premium goes directly to the farm workers, who determine how it will be invested. So in the case of large farms, the farm owner does not benefit from the premium. In addition to the Fair Trade Premium benefit, the requirements for Fair Trade Certification are much higher for large farms than they are for small farms. This is absolutely an advantage to small producers and recognizes the relative difficulty small farmers may have to comply with the standards.

In addition to the FT premium, we have numerous additional programs to help ensure small producers remain become and remain strong and competitive. Current programs include bi-weekly coffee market updates; a contract helpdesk to assist producers with contracting decisions; producer forums held in-country that bring together importers, roasters and social lenders to facilitate purchasing; a \$50,000 small grants program limited to small producers only; as well as multi-year, grant-funded capacity-building programs (projects are currently ongoing in Indonesia, Mexico and Uganda). There are no such programs provided for large farms.

2. Regarding the DFTA's concern about "the language revolving around negotiation of contracts with buyers – outside the context of small producer organizations – is somewhat vague" and "Section 2.5 of the draft trade standard states that contracts between Fair Trade conveyors and Fair Trade Payers must be mutually agreed upon, but not with the producer."

In addition to having Fair Trade Minimum Prices in many products and requiring that the negotiated price not be lower than the relevant market price in coffee and cocoa, Fair Trade USA Standards also require that the price be mutually agreed upon between the buyer and producer in all cases.

It concerns us that you think this point is not coming across clearly enough in our Trade or Independent Smallholder Standards, and we want to confirm that in the section 2.5 which you mention it is also definitely a requirement. While this is the first time we have heard that this is not clear, we will go back into the Draft Trade standard and see how we might revise the language to make it crystal clear. We will also flag this for review and improvement in the development of future versions of the standards themselves.

- 3. Regarding the DFTA’s concern around the definition of small producer and any exemptions that might come into play in regards to health, wage provisions and safety or freedom of association requirements (“...the definition of small producer, as adapted from FLO’s definition, leaves open a potential loophole for producers who could be of a larger scale and with more hired labor that what the public would generally consider “small-scale”):**

The intent of having exemptions in the standards for small producers that have very few workers is to ensure that small producers are not required to implement measures that would be overly burdensome and unrealistic given the resources available to them.

- a. *In the case of Health and Safety, all core requirements regarding safe workplaces, processes, equipment and working conditions as well as the provision of personal protective equipment and first aid equipment are applicable on even the smallest of farms.*

The measures from which small producers are exempted under health and safety are limited to:

- *Requirements to have written health and safety policies*
- *Requirements to have documented risk assessments*
- *Requirements to provide working clothes (beyond Personal Protective Equipment)*
- *Requirements to have trained first aid personnel on hand*

- b. *In regards to Wage Provisions, all core requirements around salaries, benefits, payment processes and insurance are applicable in all cases.*

The measures from which small producers are exempt include:

- *the provision of pay slips*
- *the creation of appeal procedures*
- *written contracts and job descriptions*
- *documentation of the farm’s annual labor needs*

- c. *In terms of Freedom of Association, it is the intent of the standards that all major criteria, including the major Freedom of Association criteria, are applicable in all cases—for any farm of any size participating in Fair Trade. That said, we agree with you that this is not made clear in the standard and will flag this point for review and modification in upcoming iterations of all Fair Trade USA Standards.*

- 4. Regarding the DFTA’s concern around Labor Contractors working with small farms:**

It is the intent of the FTUSA standards to limit the use of labor contractors and to ensure that where labor contractors are used the employer is responsible for upholding labor rights. We have added this to the list of areas where additional clarification and strengthening of the language may be needed, in order to ensure that the principle comes through more clearly.

- 5. Farm Size definition: We have taken note that the DFTA believes that Fair Trade USA needs a clearer definition of farm size:**

We agree and had identified this as one of the key work streams in the process we will be undertaking over the next two years to develop a Modular Standard that more adequately addresses the different realities of small, mid-sized and large farms. Part of this process will be determining exactly which standards should apply in each case, taking into account not just the size of the farm and number of workers but also the crop being harvested, the geography and any other relevant factors.

In the meantime, it is important to note (in regards to DFTA’s concern about large scale farms being included under the Independent Smallholders standard) that any farm that has 100 workers present (permanent or temporary/seasonal) at any time cannot be included at all under the Independent Smallholder standard and must be audited under the Farm Workers Standard.

6. Regarding the DFTA's concerns around Mass Balance:

Fair Trade USA critically assessed the exemptions of physical traceability requirements for the product categories where it is allowed (currently sugar, fruit juice, tea, and cocoa), but found that requiring their physical traceability would prevent certification and benefits for thousands of small producers who grow these crops. Smallholder sugar, fruit and tea growers usually do not have their own processing facilities, and sell small volumes of product to large-scale processing facilities. In many cases, running separate processing batches in these facilities would be economically unfeasible, due to the small volumes of Fair Trade certified product and the time sensitivity of the processing. Furthermore, small-scale producers are not in a position to make demands of processors to run separate batches as they often do not have the ability to choose which processor to work with – there is a limited time frame during which the product must be processed and limited access to processing facilities. These factors would ultimately force the exclusion of small-scale producers from Fair Trade certification unless physical traceability requirements are adapted to reality.

In the case of cocoa, the vast majority of the world's cocoa is processed by a few, large-scale chocolate companies, whose processing runs without interruption. Without halting their production or switching all of their chocolate to Fair Trade certified, they cannot guarantee physical traceability. Not working with these companies would again exclude thousands of smallholder cocoa growers from Fair Trade certification. Our standard on physical product traceability is consistent with that of other leading certification groups.

7. Regarding the DFTA's concern around the application of standards at processing facilities:

Fair Trade USA's apparel program is the first and only Fair Trade program that attempts to deliver impact at two levels of the supply chain—to cotton farmers and to factory workers. After conducting a public feasibility study in 2006, it was discovered that these two points in the supply chain contain the vast majority of labor input in the development of a garment. Between these two stages, production has more mechanization and fewer hands touching the item. This is very different than agricultural food products such as coffee and cocoa, which have minimal processing done at origin. Additionally, Fair Trade USA has very clear and transparent labeling for apparel, so that the consumer knows exactly which piece of the product is Fair Trade—"Fair Trade Cotton," "Fair Trade Factory" or "Fair Trade Certified" (for both). The final apparel standard was developed after a 2 year pilot period, under the guidance of a 12-person Multi-Stakeholder group made up of experts from farming, manufacturing, labor, brand, and NGO backgrounds. Again, this approach is unique to apparel, and therefore should not be assessed generally against all FTUSA standards.

8. *FTUSA has also noted the DFTA's concern that none of the standards systems that it evaluated have provisions allowing workers to opt out of using potentially toxic materials, and will flag it for consideration in the modular standard development process.*

Please feel free to reach out for any additional clarification or discussion.

Best regards,
The Fair Trade USA Standards Team