The Principles of Fairtrade

The principles of Fairtrade are based on the practical and shared experience of Fair Trade organizations. Many producers mostly in developing countries remain excluded from mainstream and added-value markets, or only access them via lengthy and inefficient trading chains. Fair Trade helps producers realize the social benefits to their communities of traditional forms of production. By promoting these values it enables buyers to trade with producers who would otherwise be excluded from these markets. It also helps shorten trade chains so that producers receive more from the final selling price of their goods from the final selling price of their goods then is the norm in conventional trade via multiple intermediaries.

Consumer Awareness Raising and Advocacy

Fair Trade relationships provide the basis for connecting producers with consumers and for informing consumers of the need for social justice and the opportunities for change, consumer support enables Fair Trade organizations to be advocates and campaigners for wider reform of international trading rules, to achieve the ultimate goal of a just and equitable global trading system.

Healthy trading relationships

The economic basis of transactions within Fair Trade relationships takes account of all costs of production, both direct and indirect, including the safeguarding of natural resources and meeting future investment needs. Trading terms offered by Fair Trade buyers enable producers and workers to maintain a sustainable livelihood, which is one that only meets day- to –day needs for economic, improved conditions in future. Prices and payment terms are determined by assessment of these factors rather than just reference to current market conditions. There is a commitment to a long- term trading partnership that enables both sides to co-operate through information sharing and planning, and the importance of these factors in ensuring decent working conditions is recognized.

Capacity Building and Empowerment

Fair Trade relationships assist producer organizations to understand more about market conditions and trends and to develop knowledge, skills, and resources to exert more control and influence over their lives.

Minimizing negative impacts of Fair Trade through the practice of making trade fair.

Fair Trade principles have deep roots in European societies long before the first structured alternative trading organizations (ATOs) emerged following World War II. Many of the fundamental concepts behind fair trade actually show a great resemblance with the pre-capitalist ideas about the organization of the economy and society. The notion of the ‘old moral economy” is a fitting example of such conceptions. E.P. Thompson, in his work on 18th century England, described a society where “notions of common well-being, often supported by paternalistic traditional authorities, imposed some limits on the free operations of the market.” Farmers were then not allowed to manipulate prices by withholding their products to wait for price increases. The actions of the middlemen were always considered legally suspect, were severely restricted and the poor were provided opportunities to buy basic staple foods in small parcels. Fair Trade was already seen a way to address market failures.

Early Fair Trade Initiatives

The Fair Trade movement as we know today was shaped in the years following World War II. Early attempts to commercialize in Northern markets were initiated by religious groups and various politically orientated non-governmental organizations.

The Mennonite Central Committee (MCC) and SERRV International were the first, in 1946 and 1949 respectively, to develop fair trade supply chains in developing countries. The products, almost exclusively handicrafts ranging from jute goods to cross-stitch work, were mostly sold by volunteer in charity store or ethnic shops.

The first fair trade agricultural products were tea and coffee, quickly followed by dried fruits, cocoa, sugar, fruit juices, rice, spices and nuts. Coffee quickly became the main growth engine behind fair trade: between 25 to 50% of the total alternative trading organization turnover in 2005 came from coffee sales.

Fair Trade aims to help producers

1. escape the vicious circle of subsistence economy,
2. gain access to education, healthcare, and sustainable human development.
3. Benefit from better exchange terms.
4. Gain better access to markets.
5. improve environmental, labour and social conditions.
6. Consumption of Fair Trade products grew by 40% in 2006.

Labeling

It allows customers and distributors to track the origin of the goods to confirm that the products are really benefitting the producers at the end of the supply chain.