



Naturland Fair Trade Standards

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1. Preface

Organic agriculture, social responsibility and fair trade

Organic agriculture, social interaction and fair trade are the three pillars of sustainability. Taken together, they form a coherent and consistent whole. A fair environment is a particularly favourable pre-condition for organic agriculture to safeguard in a sustainable fashion the livelihoods and the very existence of farmers and their families worldwide.

Naturland claim to a holistic approach in its standards also includes the social interaction of those living and working on the farms. Social responsibility, both in production and processing, is an integrative component of Naturland standards and also a fundamental principle for fair trade certification.

Background and principles of Naturland Fair Trade certification

Naturland promotes throughout the world organic production and the social recognition of organic agriculture, thereby contributing to the preservation of the environment, the sustainable use of resources, food security and the improvement of living conditions of the people. In 1986 Naturland commenced its international operations in collaboration with GEPA. In the years following the fair trade organisations dwp and BanaFair became Naturland partners. The ensuing topics and challenges found expression in many areas of Naturland work. The considerably broadened social standards laid down in Naturland standards and, ultimately, the adaptation of "Naturland Criteria on Fair Partnerships" to fit the prevailing circumstances in Germany was a logical consequence of this co-operation. In 2006 the first German processors, procuring locally raw goods, submitted to examination according to "Naturland Criteria on Fair Partnerships" and were distinguished for their sustainable business management and corporate strategy. Naturland continues to co-operate with the fair trade organisations on further developments.

The aims of fair trade are defined by FINE, an international association of the four main fair trade networks, as follows: "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 social rights of, marginalised producers and workers – especially in the South." The purpose is to combat poverty through trade, and growers' organisations which would otherwise have been excluded from these markets will be granted a market access.

Naturland Fair Trade standards, as now at hand, are a logical consequence of Naturland development and are the inevitable outcome of a long enduring process. On the other hand they are also based on the FINE definition and the core values of the fair trade organisations, such as they are described in "a charter of fair trade principles" (WFTO and FLO 2009).

It is the objective of the Naturland Fair Trade certification to enable more Naturland members to gain access to the value creation in markets and more efficient channels of trade as well as to vitalise the values organic, social, regional and fair trade. This way they can and should make a contribution towards improving the livelihood and securing the existence of agricultural operations. Where fair trade relationships are concerned, it is not a question of charitable motives, but of establishing co-operative contacts aimed at change and development through trade. Their policy of transparency enables fair trade relationships to make an important contribution to networking the producer with the consumer and keeping the general public informed about developments in the organic food industry, social justice and the opportunities for change. It is only with the consumers' support that more comprehensive reforms in trading culture can be successful and our living conditions be preserved.

2. General rules governing Naturland Fair Trade certification

Naturland Fair Trade certification is a voluntary supplementary option for Naturland certified producers and processors. In each and every case, the basis for fair trade certification is a valid certification by Naturland as organic. In types of products (e.g. wild fish), where the term “organic” is not applicable, the respective Naturland certification is the basis for fair trade certification. The General Rules (Parts A. resp. C) of the respective Naturland standards are likewise applicable to fair trade certification.

The term “Naturland Fair Trade certification” is used for both the certification of whole enterprises and for the certification of individual Naturland products within the context of a fair trade relationship. The “Naturland Fair” logo is used to label the products in both cases. The additional title “Naturland Fair Partnership” is reserved exclusively for those Naturland producers and processors which are certified as an enterprise as a whole.

2.1 Product certification: Naturland Fair Trade certification of products

Enterprises are offered Naturland Fair Trade certification for individual products in the process of developments towards corporate certification. A product can be certified “Naturland Fair” as soon as the proportion of raw materials from fair trade relationships exceeds 50% (dry weight) of the product and the remaining raw materials can be proven not to be available in fair trade quality according to Naturland Fair Trade priorities. Such products are permitted to bear the “Naturland Fair” logo.

The objective is the production of goods out of 100% Naturland Fair Trade certified raw materials.

Enterprises with only individual products certified to Naturland Fair Trade standards are not allowed to refer to the term “Naturland Fair Partnership” in their public relations.

2.2 Corporate certification: “Naturland Fair Partnership”

Naturland Standards on Production require the whole farm conversion as a general principle. The objective is therefore also in case of Naturland Fair Trade certification to certify the whole enterprise as conforming to Naturland Fair Trade standards.

An enterprise awarded certification under the “Naturland Fair Partnership” scheme is a “Naturland Fair Partner”. Such processors producers' organisations¹ and individual producers are permitted to refer to their “Naturland Fair Partnership” certificate in their public relations matters, in addition to bearing the Naturland Fair logo.

2.2.1 Application to Naturland processors and producers' organisations

The two preconditions for the corporate certification „Naturland Fair Partnerships” are as follows:

- At least 70% of the products in their range are produced, processed and traded according to Naturland Fair Trade standards.
- Naturland Fair Trade certified raw materials account for at least 70% of the net purchase value of all products, or at least 70% of total net turnover of the enterprise is generated by Naturland Fair Trade certified products.

For the remaining portion of the raw materials proof has to be provided that they are not available in fair trade quality on the basis of Naturland Fair Trade priorities list.

2.2.2 Application to Naturland individual producers

Upon request, individual producers, too, can receive corporate certification (e. g. for direct marketing).

Individual producers (e.g. family run farms) which supply to fair trade certified enterprises do not require an additional fair trade certification but are informed about the contents of Naturland Fair Trade standards and the objective of the Naturland Fair Partnerships.

¹ Producers' organizations are 1. organized grower groups (co-operatives, associations etc.) which market their members' products on a joint basis, 2. companies with subcontracted growers (e. g. smallholders) and 3. agricultural operations, plantations etc. which have employees.

2. General rules governing Naturland fair trade certification

2.3 Producers resp. products from "economically disadvantaged regions"

Some of the sub-items in the standards only apply to producers or products from Africa, Asia, Latin America and other marginalised regions of the world. In these standards they are referred to collectively as "economically disadvantaged regions". OECD, Organisation for Economic Co-operation and Development, maintains a list of countries (DAC List of ODA Recipients) which determines which countries are given public recognition as being entitled to receive development aid payments. Naturland bases its criteria on this list of countries but, in special cases and upon application by marginalised producers from other countries, these sub-items may be considered appropriate to them, too. All other countries are referred to in these standards as OECD member states. These are countries which have a high pro capita income.

2.4 Labelling of Naturland Fair Trade certified products

Products must show the proportion of ingredients in a final product which are procured from a Naturland Fair Trade relationship. Naturland Fair Trade ingredients in the list of ingredients are marked individually as such and their total ratio is shown as a percentage.

The use of the "Naturland Fair" logo is governed by a sublicense agreement concluded with Naturland Zeichen GmbH.

The only logo permissible is a "Naturland Fair" logo authorised by Naturland Zeichen GmbH.

3. Naturland Fair Trade Standards

3.1 Social responsibility

Naturland standards include social interaction with the people living and working on the farm. A prerequisite for producers and processors to be certified to Naturland Fair Trade standards is that they and their subcontractors adhere to the Naturland standards on social responsibility (ref. Naturland Standards on Production Part A/III. and Naturland Processing Standards Part C/VII.).

3.2 Reliable trading relationships

Commercial relationships conceived with the aim of maintaining long-term co-operation on the basis of dialogue, transparency and respect contribute towards providing producers and processors a greater degree of predictability, security and stability.

The objective is to establish reliable and long-term commercial relationships; this includes the regular exchange of information and the joined planning of the quantities required and an annual planning framework.

3.2.1 Prefunding

Advance financing for their harvests must be granted those producers in "**economically disadvantaged regions**" who are particularly weak financially or who do not have access to acceptable bank loans; if these conditions are met, they can be granted upon request up to 60% of the order volume. The interest rates for advance financing may not be higher than those applying to refinancing of loans taken by the processor or importer. The period specified for payments will be confirmed in writing.

Advance financing may be refused if there is an undue risk that producer organisations cannot meet the repayment terms for advance loans or might not be capable of supplying the quantities agreed upon. Naturland is to be informed of an undue risk by the enterprise which would have had to grant the loan and informed of the reasons for the refusal.

3.3 Fair producer prices

The prices paid for agricultural produce/raw materials are also calculated with a view to maintaining the basis of livelihood of growers and employees (workers) and are therefore not geared to those of the cheapest offer for any product. Besides covering the local average production costs, the price includes a suitable margin (surcharge) for corresponding investments in the future.

The enterprise may not use an agreement to pay a fair price in order to beat down the prices agreed upon in other contracts or to offset them elsewhere.

3.3.1 Co-operative determination of pricing

Fair producer prices are achieved by both producers and enterprises by determining jointly negotiated minimum prices or by agreeing on definite surcharges. As a guideline the buyers from "**OECD member states**" (ref. 2.3) observe at least a minimum price equivalent to the upper third of the average market price over the past three years.

3.3.2 Fair trade minimum prices

If the clear calculation of local average production costs or the individual production costs of a producer organisation (plus an appropriate profit margin for future investments) is not possible, the internationally established fair trade minimum price system in "**economically disadvantaged regions**" is the basis for pricing. Companies with Naturland certified products pay at least this minimum fair trade price to growers. If there is no international introduced fair trade minimum price for a product existing, a price of at least 10% above the commonly accepted market-based price has to be paid.

3.3.3 Fair trade premium

Producers' organisations in "**economically disadvantaged regions**" receive a fair trade premium from one of the trading partners in the fair trade supply chain, who is dealing with Naturland Fair certified products. This premium is used to finance social, educational, health-related and environmental measures, or as additional income for the smallholders (see also No. 3.6). In this respect

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those members of the organisation who are most disadvantaged have top priority, especially if there is no general assembly.

If there is an internationally established minimum fair trade premium, then enterprises with Naturland Fair certified products pay at least this minimum to the producers' organisation. If no such ruling exists, then the guideline for the payment of the fair trade premium is at least 10% of the free on board (FOB) price of the agricultural raw material.

Fair trade premium payments must be administered on a separate account and in a traceable and responsible manner.

The decision-making process concerning the use of the fair trade premium runs under principles of democracy. A plenary meeting of the growers and/or employees (workers) and members of the management elects a decision-making body. By constituting the decision-making body the different interest groups within the growers and/or employees (workers), also from different operating units are adequately considered. Members of management may be elected, but shall have no majority. The decision-making body is responsible for the decision-making process regarding the fair trade premium, their use and the appropriate implementation of the resolutions. On the basis of a report the decision-making body informs growers and/or employees (workers) regularly, at least once a year, in meetings on the use of the financial means; it encourages evaluation of the measures carried out and decision-making on the use of future premiums. The results of the meetings will be recorded in minutes. Trading partners are informed about the contents of the report at their request.

3.4 Acquisition of raw materials from local sources

Well-functioning fair trade relationships focus on local structures which have evolved over time or are currently developing, rather than global interchangeability. Local production to feed the population and marketing on a regional level take priority.

Both the grower and the processor will give preference to local sources when purchasing goods and means of production (feed, seeds, goods for direct marketing etc.).

At least 80% of all the agricultural produce which a processor purchases comes from local sources, inasmuch as they comply with the quantity and quality requirements and are available locally resp. in season.

If it is necessary to acquire raw materials from "economically disadvantaged regions" or such acquisition serves to assist producers in compliance with recognised fair trade principles, then this aspect may be granted priority over the acquisition of raw materials from local sources.

3.5 Joint quality assurance

The best quality assurance, being for the benefit of both parties, can only be achieved by an intensive exchange of information and co-operation in an atmosphere of trust.

Measures for quality assurance are worked about by the buyer and the grower(s) of the agricultural produce together, in a spirit of partnership. Joint quality assurance makes an important contribution to the continued improvement of the quality of a product. Frank two-way communication and a procedure which has been jointly agreed upon are applied to solve any quality and supply problems.

3.6 Social involvement

Fair trade relationships depend on a global and local level on a properly functioning welfare system and lively co-operation.

Enterprises with Naturland Fair certified products show above-average social commitment and/or support projects. They are, for example, involved in practical environmental protection or non-profit organisations or provide assistance to environmental, health or educational projects, social or cultural projects, and/or encouragement/support to rural agriculture.

Wherever possible they create jobs and trainee positions, if need be in greater measure than legally required (e.g. for the handicapped or for people in critical situations).

The cafeteria or canteen provided by the enterprise is also a suitable opportunity to show social commitment by the increased use resp. a wider offering of organic fair trade products.

In addition, the marketing of products is linked to educational projects or to campaigns, in order to provide the consumer with information about the background and various aspects of the Fair Partnerships.

3.6.1 Smallholders take priority

An important task throughout the world is the maintenance of rural structures. In **“economically disadvantaged regions”** of the world, in which agriculture, although being the most important segment, is performed by a large number of smallholders, it is crucial to focus more strongly on them, to reduce their poverty, to ensure they have themselves enough to eat and to increase productivity.

Enterprises with Naturland Fair certified products are aware of this and give preference to produce from smallholders' organisations when buying raw goods from “economically disadvantaged regions”.

Enterprises with "Naturland Fair" products advocate the dismantling of political and economic barriers which impede the development of smallholders. They support producer organisations by providing educational and instructive services and represent their interests in public (advocacy).

3.6.2 Strengthening of the producer organisation

Growers and employees who supply to Naturland Fair enterprises or work for them are informed about the contents of the Naturland Fair Trade standards and the objective of Naturland Fair Trade certification. Enterprises with Naturland Fair Trade certified products support the producer organisations from **“economically disadvantaged regions”** with measures to promote their capabilities and to strengthen their members by further education, staff and organisational development projects (by capacity building) and develop strategies resp. devise measures which help those people reached by the producer organisation to lead a self-determined and independent life (empowerment).

In this way the organisations and their members are put in a position to represent and arrange their own needs (advocacy).

3.7 Corporate strategy and transparency

Enterprises with Naturland Fair Trade certified products determine in writing how they will implement the Naturland Fair Trade standards. To be included in this document (e.g. in the form of a policy or guidelines) are the concerns of the members, the growers, the workers and/or staff and they shall be made aware of this strategy. Upon request, this document shall also be made available to commercial partners.

The enterprise establishes a reasonable policy of participation so as to include employees, workers, members and growers in the decision-making process.

Transparency is an essential prerequisite of Naturland Fair Trade relationships. This applies particularly to the determination of prices, the source of the raw materials and operational procedures. The openness of the enterprises includes disclosure of company participations and the provision of a company organigram.

Terms and abbreviations

Term	Definition
DAC list of ODA Recipients	Development Assistance Committee list of official development assistance Recipients
FINE	Umbrella organisations of Fair Trade FLO, <i>see FLO</i> IFAT = International Fair Trade Association, <i>see WFTO</i> NEWS! = Network European Worldshops (currently inactive) EFTA = European Fair Trade Association
FLO	Fairtrade Labelling Organizations International e.V. develops its own standards for fair trade. The goal is to improve the conditions for workers and farmers. FLO-CERT GmbH is an independent fair trade inspection and certification body.
FOB - price	Free on board refers to a kind of cargo transport. Hereby the seller is in charge of the export formalities whereas the buyer takes all follow-up transport and shipping costs. Free on Board is a contract formula according to Incoterms (International Commercial Terms) for foreign trade transactions.
GEPA	GEPA - The Fair Trade Company (<i>Gesellschaft zur Förderung der Partnerschaft mit der Dritten Welt mbH</i> , German: Society for the Promotion of Partnership with the Third World, Ltd.) is one of the biggest European importers of fair trade food and handicraft products.
Subcontractor	The subcontractor is appointed to perform certain processing steps or tasks, which the Naturland Fair Partner companies do not carry out themselves (preprocessing, storage, processing, transport).
Naturland Fair List of priorities	The Naturland Fair list of priorities regulates the admission of non Naturland Fair certified raw materials in case on non availability of Naturland Fair raw materials as the highest priority. For this, the Naturland partner has to file an application. Naturland partners are supported by their Naturland Fair attendants during the selection of raw materials on basis of the Fair list of priorities.
OECD	The Organization for Economic Cooperation and Development is an international organisation with 34 member countries, emphasizing the coordination of economic policies. It has a strong relation to democracy and market economy. The OECD originated in 1961 from the OEEC, that realized since 1948 plans for economic reconstruction (Marshall Plan) and strengthened cooperation in Europe.
WFTO	World Fair Trade Organisation (<i>formerly IFAT</i>) is a global network of organisations involved in the Fair Trade supply chain. For the producer organisations, the focus is on handicraft.