

Fact Sheet. Fair Trade

The Issue

In the world's poorer countries up to 80% of the population live in rural areas. Rural households usually have small farms on which they grow subsistence crops (ie food they eat) and cash crops (ie food they sell). Cash crops such as coffee, tea, and cocoa are often sold for export to richer countries.

Developing world farmers face a number of challenges:

- The world price for commodities fluctuates up and down. It is not uncommon for prices to fall way below the cost of production, in which case already poor farmers make a loss. The cost of planting new crops and the need to plan well ahead (trees can take some years before they reach seed-bearing stages) means farmers cannot simply change from one crop to another as world prices rise and fall.
- Farmers often lack access to credit services. Income from crops comes in only after harvest, but living expenses occur daily. Without the means to pay for food, healthcare or equipment farmers can be forced to sell their crop very early and at a very low price.
- Farmers often lack access to information about the market. Few have internet services, producer journals, or advisory bodies. Yet without knowledge of world prices and trends a farmer has no way of knowing if the middleman buying his crop is offering a fair price.
- Farmers often lack essential infrastructure and services. Without education, health, storage facilities for the crops, equipment, etc it is difficult for farmers to get maximum value from their land and crops.

The Fairtrade Solution

Fairtrade is a system in which farmers and those who want to buy their produce agree to trade in a way that everyone gets a reasonable return on their investment. In this system:

- Buyers deal directly with producer groups (usually a farmer cooperative). This cuts out middlemen who dilute prices and allows mutual, transparent, long term relationships between buyer and seller.
- Buyers agree to pay a 'fair' price. This has two components:
 1. Buyers agree they will never pay farmers less than what it cost to produce the crop. The Fairtrade governing body sets a minimum price that covers the costs of production and the buyer may never pay less than this amount. When the world price falls below this level the Fairtrade minimum must still be paid. When the world price rises above this level buyers must pay at least the world price.
 2. Buyers agree to pay an additional sum, the Fairtrade premium, that is used to invest in the community. That can mean things such as schools and health clinics, training in nutrition or business skills, and purchase of essential equipment.
- Buyers agree to provide credit to farmers. Once a contract has been signed the farmer has the right to ask for up to 60% of the contract value in affordable credit. This allows farmers to buy food and equipment, pay for medical care, etc while their crops are growing.
- Buyers work with cooperatives to help build knowledge of markets and fair market prices and to develop new skills and technologies that increase productivity.
- Farmers agree to maintain safe workplaces, to avoid child and forced labour, to pay labourers a living wage, and to farm in environmentally sustainable ways.

Where can I buy Fairtrade products?



® Fairtrade products bear the FAIRTRADE Label. Products available in Australia include coffee, tea, sugar, chocolate, sugar, cotton, and sportsballs. Many supermarkets and specialty stores stock these items. A list of retailers can be found at www.fairtrade.com.au.