



Key ways that tea producers benefit from Fairtrade

This short paper presents the unique benefits that Fairtrade certification offers tea producers. Millions of poor people in developing countries rely on tea for their livelihoods, but many are challenged by poor working and living conditions, low incomes, and vulnerability. Fairtrade works to benefit tea producers, as outlined below.



Tea farmer Esther Ravi picks Fairtrade-certified tea in Sahyadri, Southern India.

Photo credit: Traidcraft/Shailan Parker

Fairtrade benefits small-scale tea farmers and large tea estates

Big UK tea brands source much of their tea from large estates, also known as plantations. While Fairtrade was originally established to support small-scale farmers, as they are often the most vulnerable, in the tea industry Fairtrade has established standards for both plantations and small farmer organisations, so that a greater number of people in developing countries can benefit from Fairtrade.

As working conditions in tea plantations are notoriously poor, Fairtrade-certified plantations must ensure that workers receive wages equal to or higher than the minimum wage, abolish child labour, allow the establishment of workers unions, establish good health and safety measures, and allow worker committees - known as Joint Bodies - to spend the Fairtrade premium on projects to benefit the whole community¹.

Fairtrade-certified smallholder farmers, on the other hand, must be organised into co-operatives or other farmers associations that have a democratic structure and transparent administration, as this enables them to effectively manage the Fairtrade premium payment.

¹ <http://www.fairtrade.net/tea.html?&L=title>



1. Fairtrade minimum price

Fairtrade is the only certification scheme that guarantees farmers a minimum price for their produce. In the tea sector market prices are often very volatile, leaving many farmers and workers unable to plan for the future. Under Fairtrade, small-scale tea producers are guaranteed a Fairtrade minimum price and conditions for tea workers are improved. This Fairtrade minimum price acts as a safety net so that, if conventional world market prices plummet, farmers still receive a decent income for their produce. The Fairtrade minimum price for tea has been set according to origin to reflect differences in regional costs of production and living, but across countries the average Fairtrade minimum price for standard tea is currently US\$1.47 per kilo².

When conventional world market prices for tea are low, the Fairtrade minimum price helps to ensure that farmers can cover their production costs and fulfil their legal obligations to provide for their workers. In the event that conventional world market prices are higher than the Fairtrade minimum price, buyers must pay at least the market price plus the Fairtrade Premium (please see below). Small-scale farmers outside the Fairtrade system however, often receive the same low prices all year round, regardless of the market price.

2. Fairtrade premium payment

As well as guaranteeing a fair, minimum price to farmers, Fairtrade also pays an additional premium for investment in social, environmental or economic development projects. How this premium is spent is decided upon democratically by the farmers or workers themselves.

In tea, the Fairtrade premium is currently US\$0.50 per kilo, regardless of geographical origin³. This money goes into a fund, which is typically invested in education and healthcare, farm improvements to increase yield and quality, or processing facilities to increase income.

For example, Traidcraft sources a lot of its tea from the Kibena plantation in Southern Tanzania. Here, the Fairtrade premium has funded the building and equipping of local primary schools and village dispensaries, paid for a maternity ward for the local hospital, supplied new water pumps, and

funded improvements to workers' homes. No other certification scheme ensures a direct transfer of financial benefit to workers and their communities.

Additionally, under Fairtrade terms, importers must help producers with pre-financing – or an advance – of up to 60% of the purchase price, where producers request it. This is vital for small-scale farmers as it means that they have cash flow, it can reduce the need for expensive credit, and it allows them to predict their income and plan for the future.

3. Environmental improvements

Fairtrade standards do not just benefit farmers economically and socially, but they also encourage farming and production practices that are environmentally sustainable. Fairtrade is the only scheme that factors in the costs of sustainable production, improving the environmental impact of tea production and allowing producers to plan for the long-term. Producers are also encouraged to work towards organic farming practices, if it's appropriate.

The Fairtrade standards for tea include minimum requirements on environmental protection and chemical use as well as progress requirements, which producer organisations are expected to work towards and then continually improve over time. Key environmental aspects of Fairtrade tea standards include:

- Protecting the environment in which they work and live. This includes areas of natural water, virgin forest and other important land areas, as well as dealing with problems of erosion and waste management.
- Developing, implementing and monitoring an operations plan on their farming and techniques. This needs to reflect a balance between protecting the environment and good business results.
- Following national and international standards for the handling of chemicals. There is a comprehensive list of chemicals which are prohibited.
- Not using products which include genetically modified organisms (GMO).
- Working out and monitoring what affect their activities are having on the environment, and then making a plan to reduce the negative impacts and ensure that this is carried out.

² Prices vary from US\$0.95 to US\$2.00 depending on origin and type. For more information on pricing, please see the Fairtrade Labelling Organisation's website at http://www.fairtrade.net/list.html?no_cache=1&tx_zwo3pricing_pi1%5BproductType%5D=1&tx_zwo3pricing_pi1%5Bcountry%5D=0&tx_zwo3pricing_pi1%5Bsubmit_button%5D=Go

³ Fairtrade terms for tea produced by what is known as the 'Orthodox' method, most often used to produce loose leaf tea, are set at the commercial price plus a higher Fairtrade premium of \$1.10.