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FAIR RUBBER e.V. // Intro package

FAIR RUBBER e.V.

who we are - what we do

Fair Trade with Natural Rubber: How Does It Work?

At the heart of the concept of Fair Trade is the attempt to help achieve a more equitable distribution of the value addition among all those involved in a supply chain. The Fair Rubber Association applies the Fair Trade concept to small farmers and plantation workers involved in the production of natural rubber.

At the other end of the supply chain are consumers who are willing to pay a somewhat higher price - as long as they have an assurance that this 'extra', the so-called 'Fair Trade premium', actually reaches those small farmers and plantation workers at the other end of the natural rubber supply chain.

The concept of Fair Trade goes back to the end of the 60s/early 70s: At the time activists were often running so-called 'Third World Shops'. At the end of the 80s/early 90s the concept gained wider public exposure through the introduction of the Fairtrade labels: The logo(s) of these organizations became the 'guarantors' for consumers that the 'Fair Trade premium' would actually reach the primary producers. But rubber was left out - until the Fair Rubber Association was founded.



What Does the Fair Rubber Association Do?

Thanks to the Fairtrade labelling (FLO) initiatives, almost all 'colonial goods' are nowadays covered by a Fairtrade scheme. One big exception to this was natural rubber - the Fairtrade labelling initiatives never established criteria for Fair Trade in rubber and hence the FLO label(s) are not available for rubber products.

Because of this, in the summer of 2012, some of the Fair Trade pioneers dealing in items made from natural rubber founded the Fair Rubber Association ('e.V.' stands for 'eingetragener Verein', i.e. 'registered association' in German). Our criteria closely resemble those of the Fairtrade labelling association, in particular the key characteristics of the concept of Fair Trade are identical: The primary producers, i.e. in our case the small scale farmers and the plantation workers, receive

a Fair Trade premium, paid by the importer or seller of the rubber items in question, who in turn pass this extra cost on to their customers.

Fair Trade supporters often are also concerned about the environment: A healthy work environment first and foremost benefits the small farmers and plantation workers, from whose home area the natural rubber originates. The criteria of the Fair Rubber Association therefore include minimum environmental standards - even though most of its supplier partners are Forest Stewardship Council (FSC) certified. Unlike FLO, the Fair Rubber Association does not charge its supplier partners for the cost of 3rd party auditing: These are covered via the fees from members and licensees.

It is the people who make
our work so valuable!



Who Are the Members of the Fair Rubber Association?

Members of the Fair Rubber Association are, on the one hand, companies which trade all or part of their product range in compliance with the concept and criteria of the Fair Rubber Association, and individuals and representatives of environmental and social organisations interested in Fair Trade in natural rubber on the other hand.

This 'blend' of members helps ensure that legitimate interests of commercial members are recognized and taken into account, while at the same time guarding against any lowering of Fair Trade standards, i.e. the members without commercial interests act as a safeguard that (over time) the criteria do not 'deteriorate' into 'Fair Trade light'. At present the Fair Rubber Association has members and licensees in eight countries.

Commercial members and licensees have the right to use the Fair Rubber logo on all those goods for which they have paid a Fair Trade premium. The parallel use of the FSC logo (or any other social and/or environmental logo) on the final product is optional.



(How) Does This Work in Reality?

Users of the Fair Rubber Association logo pay a Fair Trade premium of EUR 0.50 for every kg of DRC (Dry Rubber Content, i.e. the actual content of natural rubber in a product or blend), which is passed (via the Fair Rubber Association) on to the primary producers without any deductions.

The Fair Rubber Association does not become involved in discussions on the commercial price between suppliers and buyers. With the exception of a spike around 2011, the world market price for natural rubber has been low for most of the last ten years (at times even below the cost of production).

However, when the Fair Trade premium is added to the world market price, the total paid ensures that – theoretically – the cost of production is covered and that a small ‘extra’ is left over for the primary producers:

‘Theoretically’, because in the case of plantations the Fair Trade premium is paid separately from the commercial price, i.e. the extra payment is used exclusively to help improve the working and living conditions of the workers even at times when the plantations are selling at a loss. The separation helps ensure that the Fair Trade premium is not used by the plantation owners to cover deficits or

other financial gaps. Payment of the Fair Trade premium into a separate account also makes accounting and auditing fairly simple.

In the case of small farmers the Fair Trade premium is paid along with the commercial price, i.e. they receive a ‘fair’ overall compensation for their product.

The beneficiaries of the Fair Trade premium, i. e. the small farmers (via the board of their associations) or the elected representatives of plantations, who form so-called ‘joint bodies’, have the authority to decide on the use of the ‘extra income’.

Impact

By now the following products are available with the Fair Rubber logo: **Mattresses, pillows, elastic bands, hot water bottles, household and gardening gloves, period cups, condoms, balloons, rubber boots, flip flops, seed trays, ...**

Since its founding the members of the Fair Rubber Association have paid Fair Trade premiums to the supplier partners for 100s of thousands of kg of natural rubber.

These supplier partners themselves decided to use these Fair Trade payments to finance - in part or completely - among other projects - safe drinking water supplies for hundreds of families, who in increasing numbers are losing safe water access due to the ever more erratic monsoon rains; electricity for worker housing far removed from the main line; a bridge that provides a vital shortcut to a hospital and a

school; stipends for higher education; payment of extraordinary medical expenses; the first private complementary pension scheme for workers in the rubber industry; a community centre, volleyball fields, playgrounds for crèches, ...

**For examples please go to www.fairrubber.org
>> successful-engagement**



You are trading with natural rubber products and want to apply the concept of Fair Trade to your company's work? You can either **apply for membership or a licence contract**, by taking the following three steps:

1. Quality

In particular when it comes to Fairly Traded products, there must be no compromise regarding product quality. The first step therefore is a check whether natural rubber from a partner source of the Fair Rubber Association is suitable for your product.

The Fair Rubber Association at present co-operates with 15 supplier partners in India, Thailand and Sri Lanka. Up to now, we have always managed to find the required quality amongst our supplier partners. While we are ready to expand the supplier base (e.g. if you want to bring your existing supply chain under the concept of Fair Trade), an expansion will only be approved if it corresponds with an expansion in sales: No one benefits from cutting the current 'smallish cake' into even thinner slices.

2. Costs

Trading in Fairly Traded rubber under the Fair Rubber Association entails the following costs:

a) Fair Trade premium of EUR 0.50/kg DRC: This is invoiced by the Fair Rubber Association to the member concerned, based on a report and invoice by the supplier and confirmed by the buyer; the premium is passed on by the Association to the supplier without deductions. If the supplier is a group of farmers, the Fair Trade premium might be paid directly with the commercial price.

b) Membership fee: For companies wanting to use the logo the membership fee is EUR 3,000 p.a. (in the year of joining, only 'complete' calendar quarters are charged, i.e. joining in September would 'only' cost EUR 750). Non Governmental Organizations (NGOs) and individuals wanting to support the work of the Fair Rubber Association pay no fee; commercial entities involved in the rubber trade can become 'supporting members' for EUR 300 p.a., without voting rights; please ask for details.

Companies can also apply for a licence contract, which provides the same rights and obligations as membership (with regard to the logo usage), but without the rights of membership. This costs EUR 1,000 p.a., and is charged only for full calendar quarters, too.

c) Logo usage fee: This depends on the overall volume traded under Fair Trade by a member: from EUR 0.05 to EUR 0.20/kg DRC. I.e. in the worst instance the fee is equivalent to 40% of the Fair Trade premium paid to the supplier partners, in the best case it is only 10%. This is a significantly better ratio than with a lot of other Fairly Traded products. Furthermore: This fee is adjusted against the membership/licence contract fee, i.e. a full year's membership fee includes the logo usage fee for up to 15 MT of natural rubber, the annual licence contract includes the logo usage fee for up to five MT.

d) Joining fee: A one-off joining fee may be invoiced, based on the turnover of the new member.

3. What Next?

We are almost as flexible as natural rubber when challenged to do the impossible - in particular when trying to help applicants to join the Fair Trade rubber project. At the same time we are adamant in upholding the principles of Fair Trade. Among other issues, this is the reason why existing members have a 'delaying veto' with respect to new applicants (both for membership and for licence contracts). Which means that applicants have to outline/demonstrate their plans for expanding the market (new products, new sales' channels, ...) - rather than simply 'poach' market share from those members who have heavily invested in building up the concept over the years. No one, neither suppliers nor customers, benefits from a stagnating market in which an increasing number of sellers fight for diminishing market shares.

Lastly: Questions are often best dealt with in direct talks: Please get in touch with us!



APPLICATION

I hereby apply for membership in the Fair Rubber e.V. (Association) as

- ☐ Individual member without commercial interests in natural rubber
☐ Association (NGO) without commercial interests in natural rubber
☐ Member with commercial interests in natural rubber
☐ Supporting member with commercial interests in natural rubber

OR:

- ☐ I hereby apply for a licence contract with the Fair Rubber e.V. (Association).

(Please mark where appropriate)

Company/Organization (if applicable):

Name/Contact Person:

Street:

City/Post Code:

Country:

Phone:

Email:



Only for applicants with commercial interests in natural rubber: Please briefly outline (on a separate document) where natural rubber fits into the workings of your company, and why you want to join the Fair Rubber Association/apply for a licence contract (promotional plans, marketing plans, etc.). The board of the Fair Rubber Association will take a decision based on your explanations, which are a constituent part of your application.

Confirmation: I confirm that I support the aims of the Fair Rubber Association and am ready to pay the fees fixed by the Fair Rubber e. V. without delay upon acceptance of my application. I am aware that a successful application depends on the approval of existing members of the Fair Rubber e.V., and my membership/licence contract will only be activated upon confirmation by the board and payment of the joining fee as well as the membership/licence fee (or relevant part thereof) for the current year.

Date/Signature:



PLEASE SEND TO:

By mail:
Fair Rubber e.V.
Decksteinerstr. 26
50935 Cologne, Germany

or via e-mail: info@fairrubber.org

