



**Fair Trade USA Apparel & Home Goods
Premium Announcement: Factory FOB Premium Matrix
Summary of Consultation
January 2015**

Introduction

Fair Trade Apparel and Home Goods Premiums are calculated on 1 – 10% of the FOB price per labeled product. This sliding scale fee is based upon wages in the factory, compared to the local living wage. The rationale for the Premium was set based upon the following:

- 1) Fair Trade Premiums seek to double the return to labor on a per-product basis, as labor costs are typically less than 10% of the FOB cost of a garment.
- 2) Fair Trade Premiums provide a financial incentive for brands to source in higher-wage countries and facilities. Brands pay a 10% Premium to source in a minimum wage factory, but only a 1% Premium to source in a living wage factory. This is the sliding scale concept.
- 3) Factory Premium levels align with Premium levels in other Fair Trade products, which are generally equivalent to about 5-10% in cases where the Premium is a percentage rather than a fixed dollar amount.

The Case for Set Premiums on High Value FOB Items

In 2015 and beyond, The Fair Trade USA manufacturing program will include higher FOB value goods such as outerwear, luggage and backpacks, high end footwear and home goods. FT USA has created an updated Premium matrix to accommodate products with a higher FOB value, while maintaining the principles listed above and continuing to optimize financial returns to workers.

FOB Price	Minimum Wage			Mid-Level Wage				Living Wage		
<\$25 – No Change (1- 10%)	10%	9%	8%	7%	6%	5%	4%	3%	2%	1%
\$25 - \$50 – Reduced Scale (1-5%)	5%		4%		3%		2%		1%	
>\$50- Fixed at 1%	1%									

Please Note: These rates are applied on a factory wide basis. In the case where a single factory produces a vast range of products at varying FOB prices, Fair Trade USA and its partners will calculate an average FOB price and agree upon a fixed Premium aligned with that average.