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| **Consultation document for Fairtrade Stakeholders:**Review of the Tea Fairtrade Standard and Pricing Modelfor Small-scale Producer Organizations / Hired Labour and Traders |
| Consultation Period | June 11 – July 10, 2019 |
| Project Manager | Oksana Forkutsa, Project Manager, Standards o.forkutsa@fairtrade.netEster Freixa Serra, Project Manager, Pricing e.freixa-serra@fairtrade.net |

**General Introduction**

Fairtrade Standards support the sustainable development of small-scale producers and workers in the Global South. Producers and traders must meet applicable Fairtrade Standards for their products to be certified as Fairtrade. Within Fairtrade International, Standards & Pricing (S&P) is responsible for developing Fairtrade Standards (incl. Fairtrade Minimum Prices and Fairtrade Premiums). The procedure followed, as outlined in the [Standard Operating Procedure for the Development of Fairtrade Standards](https://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/SOP_Development_Fairtrade_Standards.pdf) is designed in compliance with all requirements of the [ISEAL Code of Good Practice for Setting Social and Environmental Standards](https://www.isealalliance.org/sites/default/files/resource/2017-11/ISEAL_Standard_Setting_Code_v6_Dec_2014.pdf). This involves wide consultation with stakeholders to ensure that new and revised standards reflect Fairtrade International’s strategic objectives, are based on producers’ and traders’ realities and meet consumers’ expectations.

You are kindly invited to participate in the consultation on the Tea Standard and Pricing Model review for small-scale producer organizations, hired labour and traders. For this purpose, we ask you to comment on the proposals suggested in this document and encourage you to give explanations, analysis and examples underlying your statements. All information we receive from respondents will be treated with care and kept confidential.

**Please submit your comments to Oksana Forkutsa at:** **o.forkutsa@fairtrade.net** **by 10 July 2019.** If you have any questions regarding the draft standard or the consultation process, please contact the Project Managers by email or call: +49-228-94923-204 /+49-228-94923-242

Following the consultation round, we will prepare a paper compiling the comments made. This synopsis paper will be available on our website and will also be sent to all participants.

The next steps of the project are presented [here.](#nextsteps)

**Background**

The Fairtrade Tea Standard was introduced over 15 years ago. Since then Fairtrade tea has grown to become one of the top seven Fairtrade products, with sales generating over €5 million in Fairtrade Premium for tea producers each year.

The Fairtrade Tea Standard is due for a full review as part of the monitoring and review cycle. The general objective of the review is to integrate lessons learnt since the last review and to continuously increase the impact of Fairtrade on the living and working conditions of farmers and workers. The review topics were gathered through the monitoring log book (where proposals and feedback on standards are recorded on a regular basis) as well as from internal and external stakeholders. Through this, Standards & Pricing identified the topics to explore and consult on.

**This review has two components – Standards and Pricing – and will include two formal rounds of consultation, where both components will be covered.**

**Objectives**

**Standards Review**

* Review and analyse outstanding issues included on the monitoring log for both the Tea Small Producer Organizations (SPO) and Tea Hired Labour (HL) standards
* Consult on the inclusion of floor wages, improving working and housing conditions, among other topics
* Seek solutions from stakeholders to resolve standard related issues
* Consult on solutions with relevant stakeholder groups
* Ensure consistency in standards by aligning changes in all related product standards in particular the Fairtrade Standard for SPO, Fairtrade Standard for HL and Fairtrade Trader Standard
* Improve standard language for better clarity and simplicity
* Develop final proposals for Tea SPO and HL standards for approval by Standards Committee (SC)

**Pricing Review**

* Collect data on costs of production using technical tools and workshops
* Explore the impact of floor wages on the overall costs of production
* Compile, validate and analyze collected cost of production data
* Review of the Premium setting model and mechanisms
* Develop the price and Premium proposal for consultation with stakeholders
* Develop the price and Premium proposal for decision to the Standards Committee
* Publish the new Fairtrade Minimum Prices and Fairtrade Premium

**Project and Process Information**

The project started in September 2018 and the [project assignment](https://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/2019-03-06-ProjectAssignment-Tea_Review.pdf) is available on the Fairtrade International website. The current Fairtrade Standard for Tea for [Small Producer Organizations](https://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/generic-standards/Tea_SPO_EN.pdf) and for [Hired Labour](https://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/generic-standards/Tea_HL_EN.pdf) is also available on the Fairtrade International website.

The progress to date and next steps are described below:

|  |  |  |
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|  | **Timeline** | **Activity**  |
| **2018** | September | * Define scope and project planning
* Contact with key stakeholders (National Fairtrade Organisations (NFOs), Producer Networks (PNs)) to define the objectives of the project
 |
| October – December | * Desk Research
* Compilation and analysis of information
* Cost of Sustainable Production (COSP) tool development
 |
| **2019** | January - June | * COSP data collection
* Preparation of a proposal for 1st consultation round
 |
| June - July | * First public consultation round, all stakeholders
 |
| July - August | * Compilation of responses from the consultation process
* Preparation of a proposal for 2nd consultation round
 |
| August-September | * Second public consultation round, all stakeholders
 |
| October | * Compilation of responses from the consultation process
 |
| November | * Preparation of a final proposal for Standards Committee (SC) decision
* Final proposals presented to Fairtrade International SC for approval
 |
|  | Q1 2020 | * Publication of revised standards and other revisions
* Validity of the revised standard (date to be confirmed)
 |

**Confidentiality**

All information we receive from respondents will be treated with care and kept confidential. Results of this consultation will only be communicated in aggregated form. All feedback will be analyzed and used to draw up the final proposal. However, when analyzing the data we need to know which responses are from producers, traders, licensees, etc. so we kindly ask you provide us with information about your organization

**Acronyms and definitions**

CBA: Collective Bargaining Agreement

COSP: Cost of Sustainable Production

CTC: Crush, Tear, Curl

FMP: Fairtrade Minimum Price

FP: Fairtrade Premium

FPC: Fairtrade Premium Committee

GPM: Global Product Management

HL: Hired Labour

ILO: International Labour Organization

NFO: National Fairtrade Organization, Fairtrade country organizations in the consumer markets

NGO: Non-governmental organization

PN: Producer networks, regional Fairtrade organizations in the producer markets

SC: Fairtrade International Standards Committee

SPO: Small-scale producer organization

S&P: Standards &Pricing

TU: Trade Union

WHO: World Health Organisation

**The target stakeholders for this consultation are:**

* Tea producers already certified or interested in becoming certified under the Fairtrade Standard for Tea Small-scale producer organizations and for Tea Hired labour organizations.
* Licensees and traders certified / interested in becoming certified under the Fairtrade Trader Standard and the Tea product specific standards
* Fairtrade tea brands and retailers.
* Producer networks, National Fairtrade Organisations, Fairtrade International, FLOCERT, NGOs, researchers and academics, civil society etc.

**The consultation document has two parts:**

The first part consults on standards issues and are presented according to target groups (applicable to SPOs, HL companies and traders sourcing from SPO and HL). Each proposal introduces the background, its aim and elaborates the rationale and implication of proposed changes.

The second part consults on the pricing model and pricing tools with the aim to explore and collect feedback for any potential changes, to formulate the more technical proposals in the second consultation round.

**Please take as much space as you need to respond to the questions.**

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**Information about your organization**

Please complete the information below:

Question 1

**Please provide us with information about your organization so that we can analyse the data precisely and contact you for clarifications, if needed. The results of the survey will only be presented in an aggregated form and all respondents’ information will be kept confidential.**

Name of your organisation *Click here to enter text*

Your name *Click here to enter text*

Your email *Click here to enter text*

Country *Click here to enter text*

FLO ID *Click here to enter text*

Question 2

**Are your responses based on your own personal opinion or is it a collective opinion representing your organization?**

[ ]  Individual

[ ]  Collective opinion representing my organization/company

Question 3

**What is your gender? (Note: this is for data analysis purposes only)**

[ ]  Female

[ ]  Male

Question 4

**What is your main responsibility in the supply chain?**

[ ]  Producer

[ ]  Exporter

[ ]  Importer

[ ]  Processor

[ ]  Retailer

[ ]  Licensee

[ ]  Brand

[ ]  Other, e.g. Fairtrade Premium Committee, Trade Union, Researcher, Civil Society Organization, FI, NFO, PN or other

***Please specify here:*** *Click here to enter text*

# PART 1: Standards Review

This section presents the standards topics for review as they are applicable to the different target groups: SPO, HL organisations and traders sourcing from SPOs and HL organisations.

# Standard consultation applicable to SPOs

The revised Fairtrade Standard for [Small-scale Producer Organizations](https://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/SPO_EN.pdf) was published on April 3, 2019. This was a full review of the standard covering many topics, including the revision of requirements on SPO definition, workers, Premium use, modern slavery, environmental development.

The revised SPO standard includes 20 new requirements, and 23 existing requirements have been strengthened (either moved from development to core criteria or brought forward in terms of timelines (e.g. from year 3 to year 1). The revised SPO standard sets a higher bar for new and existing organizations, including Tea SPOs.

However, you may feel it is necessary to examine particular aspects of the Tea SPO standard as part of this review. If so, we would welcome your feedback in the table below.

For detailed overview of changes of the revised SPO standard, please check the [main changes document](https://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/2019_04_03_Main_Changes_SPO_EN.pdf).

**If you think that there are particular topics that should be added or further strengthened in the review of the Tea SPO standard, please suggest them here below:**

|  |  |
| --- | --- |
| **Topic / requirement number** | **Comments/ feedback** |
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# Standard consultation applicable to HL organisations

The first round of consultation includes the following topics: forced labour/child labour, gender equality and social development, wages, housing and sanitation, occupational health and safety, freedom of association, Fairtrade Premium management and use, sustainability margin, development potential and trade.

For each topic, a description of the issue is presented followed by the aim of the proposal. Proposed changes are presented with reference to the relevant requirements in the Standard(s). Deletions to requirements are presented in strikethrough and additions are presented in red. For each proposed change the rationale and the implications are outlined.

Stakeholders are invited to provide their views on the different proposals as well as to provide additional input. Where possible, the order of topics and proposals is structured to follow the current structure of the HL Standard. At the end of the document, there is space to provide input/comments on other sections of the standard or other topics that are not considered in any of the proposals.

# Anti - Modern slavery

## No Forced labour / No Child labour

In the existing HL Standard the section “Freedom from forced and compulsory labour”, outlines the requirements related to prevention of forced or bonded labour. However, the Core/Year 0 requirement 3.2.1 ‘No forced labour’ lacks examples of indicators for assessment of forced labour risk. Further, it is not clear how producers can remediate (withdraw and prevent) if there is forced labour occurring or what producers need to do to ensure forced labour is not occurring in their operations.

**The proposal aims at:**

* Expanding the guidance of requirement on forced labour in Tea HL standard, providing detailed examples of forced labour risk assessment indicators;
* Introducing a new requirement on prevention of forced labour, which is built upon results of forced labour risk assessment;
* Introducing a new requirement on remediation, should forced labour be identified, requiring companies to follow the procedures in place to ensure safe withdrawal and continuous monitoring to prevent forced labour.
* Aligning to the existing requirements on ‘no forced labour’ in the SPO Standard ([section 3.3](https://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/SPO_EN.pdf).)
* Strengthening the requirement for temporary workers, expanding the clause for plantations to provide temporary workers a contract, regardless of their contracted period.

**The proposed changes are:**

**Introduce improved guidance on risk assessment indicators for forced labour. Reporting against these indicators will be Core/Year 0 requirement.**

**No forced labour**

|  |  |
| --- | --- |
| **Applies to:**  | Companies |
| **Core** | Your company **does not** directly or indirectly **engage in, support or tolerate** forced labour, including bonded or involuntary prison labour.You explain this to all workers. |
| **Year 0** |
| **Guidance:** “Forced or compulsory labour shall mean all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily” (C29 Article 2). If you demand unreasonable notice period for termination of the contract of employment, it is also considered forced labour.Slavery, misuse of prison labour, forced recruitment, debt bondage, human trafficking for labour and/or sexual exploitation are some examples of forced labour. It is considered forced labour if the company retains any part of the workers’ salary, benefits, property or documents or requires financial deposits/financial guarantees in order to force them to remain in your employment. If your company requires or forces workers to remain in employment against their will using any physical or psychological measure this is considered forced labour. If you demand unreasonable notice period for the termination of the contract of employment it is also considered forced labour. The term ‘bonded labour’ or “debt bondage” includes all loans from a company to a worker of excessive amounts and/or with unreasonable and/ or unjust terms and conditions for repayment, where the worker and/or their families are held to pay off the loan through their labour against their will.The following definite or strong indicators represent the most common signs that point to the possible existence of a forced labour case in your company’s operations.**Definite indicators*** Physical, emotional and sexual violence
* Debt bondage or bonded labour
* All forms of slavery or practices similar to slavery, such as the sale and trafficking of children or persons
* the use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances
* the use, procuring or offering of a child for illicit activities, in particular for the production and trafficking of drugs as defined in the relevant international treaties
* Restriction of movement, Isolation
* Workers have wages paid into someone else’s bank accounts; or workers are not in control of their own bank accounts
* Workers cannot leave employment freely until they paid off debts owed to the employer or labour broker or other intermediary who has facilitated the work, for transport, accommodation or other service
* Undocumented migrant workers have been subjected to threats of being returned to their home country and/ or reported to the authorities if they leave employment
* Workers are led to believe that if they do not comply with what is being asked of them their families will be subject to physical, social or financial retribution
* Retention of identity documents, withholding of wages
* Employer led exploitation where the employment is not freely chosen

**Strong indicators** * Intimidation and threats to any persons, including to pregnant person and/or foetus
* Repeated deprivation of assistance that a person needs for important basic activities of daily living, including denial of food, shelter, clothing
* Excessive overtime without consent
* Workers are being fraudulently charged fees for food, clothing, transportation, health checks, work documentation etc. as part of their recruitment
* Notice period required from the worker is in excess of the pay period and contrary to law
* Guards control workforce, restricting freedom of movement
* Employer punishes or threatens to remove benefits or privileges or provide extra work for workers who do not cooperate
* Worker is required to stay in company or broker controlled housing and are unable to enter or leave the premises freely

**Other possible indicators for forced labour are:** * Employment terms and conditions are systematically not provided prior to employment to workers in understandable writing and in their own language via letter/agreement/contract
* Workers are uninformed or misinformed about terms of employment. Terms of contract are systematically not explained verbally to workers so they can understand employment letter/agreement/contract
* No systems in place to identify and prevent forced labour in their recruitment and hiring practices and/or to ensure compliance with local, national or international laws on employment is freely chosen labour, including no monitoring of agency workers, temporary/casual/contractor labour
* Migrant workers visa and work permit is tied to a single employer
* proportion of wages are withheld and paid at the end of the year
* Evidence of deliberate incomplete or falsification of wage and/or working hours records (e.g., double books); Wages and/or hours worked could not be verified or workers paid in such a way that wages cannot be verified
* Workers are reluctant to leave the facility and seek help. They show signs of distress when dealing with people from the outside.
* Workers look to or allow someone else to speak on their behalf and/or act as if instructed by someone else
* Workers do not know or provide false information: accommodation addresses, and/or name or address of their employer and/or name or address of the location where they are working
* Children below Fairtrade or national minimum age of employment (which ever age is higher) are employed or employed in hazardous child labour
 |

**Rationale:** The current guidance in the HL Standard requirement is not explicit enough to identify risks of forced labour or forced labour indicators. The list of forced labour indicators provides supportive information for companies to identify and detect those risks and carry out remediation.

**Implications:** Companies can use list of indicators for self-assessment.

**Do you agree that this change is required?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**Please explain your rationale**

*Click here to enter text*

**Do you have alternative suggestions or additional comments on this topic?**

*Click here to enter text*

**Introduce a new Core/Year 0 requirement that requires that company remediate in case forced labour is identified.**

New **Remediation in case forced labour is identified**

|  |  |
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| **Applies to:** | Companies |
| **Core** | If you have identified cases of forced adult labour, you remediate to ensure [prolonged safety](#prolongedsafety) and implement relevant policies and procedures to prevent vulnerable adults above the age of 18 years from being employed in abusive, exploitative and unacceptable work conditions as defined by ILO Conventions 29 and 105.  |
| **Year 0** |
| **Guidance:** Relevant policies are: no forced labour policy and protection policy and procedures. These include establishing a due diligence and risk mitigation systems to monitor forced labour, extending the monitoring to job brokers and private employment agencies who provide labour and relevant projects to respond and prevent it. It is recommended that those in-charge of monitoring and remediation should be trained on human rights and seek the support of expert rights based organizations to ensure safe withdrawal. **Prolonged safety** means keeping the impacted person/s free from risk of or actual harm or danger.For children identified in forced labour refer to the child labour and child protection section 3.3. in Hired Labour standard |

**Rationale:** The new requirement on remediation of forced labour provides the grounds to safely remediate forced labour cases and have relevant policies and procedures, including monitoring in place to prevent forced labour.

**Implications:** In case forced labour cases are identified, companies would need to safely remediate and implement relevant policies and procedures to prevent forced labour from occurring. The procedures should include a due diligence and risk mitigation systems to monitor and prevent forced labour. It is recommended that companies seek the support of rights based organizations to ensure safe remediation and effective prevention.

**Do you agree with the proposed requirement for this change?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**Please explain your rationale**

*Click here to enter text*

**Do you have alternative suggestions or additional comments on this topic?**

*Click here to enter text*

**Improve the existing 3.3.2 Core/Year 0 requirement in HL standard on protection of children under 18 from dangerous or exploitative work, expanding the scope of requirement to protection of children from worst forms of child labour and hazardous work.**

**~~No dangerous or exploitative work for children under 18~~**

**No worst forms of child labour and hazardous work for children under 18 years**

|  |  |
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| Applies to: | Companies |
| Core | Your company does not directly or indirectly submit workers less than 18 years of age to worst forms of child labour or to any type of work which, by it’s nature or the circumstances under which it is carried out, puts their health, safety or morals and their school attendance at risk. |
| Year 0 |
| **Guidance:** The term worst forms of child labour comprises of the following categories:* All types of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour, including forced or compulsory recruitment of children for use in armed conflict;
* All activities which sexually exploit children, such as prostitution, pornography or pornographic performances;
* Any involvement of a child in illegal activities, especially the production or trafficking of drugs;
* Any work which could damage the health, safety or well-being of children

Every country is expected to generate its own Hazardous Child Labour Activity List .Examples of hazardous child labour work that is potentially damaging include: work that takes place in an unhealthy environment, involves excessively long working hours, night hours, the handling or any exposure to toxic chemicals, work at dangerous heights, ~~and~~ operation of dangerous equipment and work that involves abusive punishment or is exploitative. |

**Rationale:** The modified requirement expands the scope of protection of children under 18 years of age, explicitly on prevention of labour that is damaging to children based on the content of [ILO Convention 182](https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C182) on the Worst Forms of Child Labour.

**Implications:** Companies have more clarity on what elements define worst forms of child labour and have to take measures to prevent this from happening.

**Do you agree with the proposed requirement for this change?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**Please explain your rationale**

*Click here to enter text*

**Do you have alternative suggestions or additional comments on this topic?**

*Click here to enter text*

**Strengthen the contract requirement 3.5.7 in HL standard for temporary workers, expanding the clause for plantations to provide temporary workers with a contract, regardless of time period for which they are employed**

Temporary worker contracts

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| Core | Temporary workers ~~who are employed for a period of 3 months or more of uninterrupted service~~ **have** a legally binding written contract of employment with a job description in a language they understand, signed by employee and employer. In which case 3.5.8 also applies. In the case of dissolution of the contract, the notice period **is** identical for employer and employee. |
| Year 1 |
| **Guidance:** The contract safeguards the workers from loss of pay in the case of illness, disability and accident. It must include duration of contract, hours/day per week worked, job description, wage level, wage deductions, notice period, detail on in-kind benefits. Contracts need to be in a language the worker understands or a translation needs to be provided to worker and signature obtained  |

**Rationale:** to ensure that all workers, regardless of contract duration, are protected by a legal contract

**Implications:** plantations ensure that all temporary workers have signed legally binding written contract of employment in a language they understand

**Do you agree with the proposed requirement for this change?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**Please explain your rationale**

*Click here to enter text*

**Do you have alternative suggestions or additional comments on this topic?**

*Click here to enter text*

# Women’s empowerment and gender equality

In Fairtrade, the highest proportion of women work in the tea sector (26% in SPO and 43% in HL). More than 108,000 women work in Fairtrade tea plantations or registered as farmer members of small-scale tea producer organizations. Whilst women are heavily involved in the production processes (growing, harvesting and processing), their work is often not fully recognized and rewarded. Women often suffer from domestic violence, rarely occupy leadership positions and their needs and voice are often not heard.

**The proposal aims at:**

* Strengthening Fairtrade’s approach to gender issues to make gender equality an explicit part of the Tea HL Standard and enhance protection from gender based violence and other forms of harassment;
* Promoting women’s empowerment.

**The proposed changes are:**

**To introduce in the HL Tea Standard a new Core/Year 0 requirement to ensure that companies do not tolerate gender based violence or any other forms of harassment and a new Core/Year 1 requirement requiring companies to develop and implement a gender policy**

New No tolerance of Gender Based Violence and other forms of harassment

|  |  |
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| Core | Your company does not engage in, support, or tolerate behaviour, including gestures, language, and physical contact, that is sexually abusive and intimidating, bullying or exploitative. |
| Year 0 |
| **Guidance:** Gender Based Violence (GBV) is an umbrella term for any harmful act that is perpetrated against a person based on socially and/or biological ascribed (gender) differences between female and male identities Where GBV is endemic within a sector or region, the company is expected to take action towards removing it in policy and practiceSome indictors of GBV:* Threats of violence;
* Physical, emotional and psychological violence
* Bullying
* Coercion
* Arbitrary deprivation of liberty
* Economic deprivation or exploitation;
* Dowry-related violence;
* Sexual exploitation; Sexual harassment
* Trafficking;
* Forced marriage;
* Forced prostitution

When GBV cases are identified the organization is expected to safely remediate impacted persons. This includes ensuring the prolonged safety of the individual (s), implementing relevant policies, procedures and monitoring to prevent GBV and other forms of harassment. **Prolonged safety** means keeping the person/s free from risk of or actual harm or danger. The policy can also be linked to a broader policy against any form of discrimination or to the gender policy. Best practice is that the organization builds its capacity to understand GBV and other forms of harassment and strengthen its capability to ensure that such harm is eliminated. Where this is not possible it is recommended to seek the support of local expert rights based organisations to provide the organization assistance in eliminating such practices.  |

**New Gender policy**

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| **Applies to:** Companies |
| **Core** | You develop and implement a gender policy. You ensure management and workers are aware of this policy and its contents. You ensure that women are involved in the development and implementation of the policy. |
| **Year 1** |
| **Guidance:** Gender equality is the concept that all human beings, men and women and boys and girls, are free to develop their personal abilities and make choices without the limitations set by stereotypes, rigid gender roles, or prejudices. Women’s empowerment is an expansion in women’s ability to make strategic life choices in a context where this ability was denied to them.The general aim of the policy is to promote women’s empowerment and gender equality. In particular, it intends to increase women's active and equal participation in Fairtrade and to empower more women and girls with opportunities to access equitable benefits of Fairtrade. **As a best practice the policy includes a statement from the organization committing to women’s empowerment and gender equality, the purpose of the policy, scope, actions to make it known, awareness raising and training activities, implementation and monitoring.**Examples of topics that can be included in the policy are: promotion of participation of women (workers), Premium Committee, Gender Committee, leadership positions; measures against sexual harassment; a grievance mechanism for addressing complaints; a whistleblowing policy; collection and use of gender disaggregated data (members, training and awareness training sessions and supervisory positions).The policy can also be linked to a broader policy against any form of discrimination based on ethnicity, age etc. or covering other relevant groups (e.g. youth, workers, families). |

**Rationale:** Given the high number of women employed in the tea industry, it is important to give special attention and more visibility to gender issues and empower women so they have access to equitable benefits of Fairtrade.

**Implications:** HL organizations would have to ensure that they do not engage in, support, or tolerate gender based violence behaviour and harassment. Organisations will be required to analyse their progress against their gender policy, and identify areas for improvement. Training by relevant expert organization to management and workers on this topic will also be necessary to raise awareness and the organizations would need to implement the gender policy throughout the organization and have a monitoring system to identify risks of GBV or other m of harassments practises which should be remediated using relevant policy and procedures (as detailed above).

**Do you agree with the proposed requirement for this change?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**Please explain your rationale**

*Click here to enter text*

**Do you have alternative suggestions or additional comments on this topic?**

*Click here to enter text*

# Workers labour conditions

## Floor Wages

Low wages continue to be one of the challenges for workers on some tea plantations. Generally, low wages are associated with poor health, low productivity, dependencies for a lack of other options and vulnerability to mistreatment. Low wages are even triggers for forced labour and child labour. There is often a considerable gap between existing wages in the tea sector and living wages, and workers often rely on in-kind benefits, such as meals and housing.

Barriers to raising wages in tea growing regions often include complex wage-setting processes, ineffective collective bargaining, and absence of adequate legal minimum wages ([Fairtrade International, 2018](https://www.fairtrade.net/fileadmin/user_upload/content/FairtradeMonitoringReport_9thEdition_lores.pdf)).

In the Fairtrade Hired Labour Standard (HL), requirement **3.5.1,** necessitates that a *“company sets wages for workers and other conditions of employment according to legal or CBA regulations where they exist, or at regional average wages or at official minimum wages for similar occupations; whichever is the highest, with the intention of continually increasing salaries.”*

The annual increase indicated in requirement **3.5.4** is intended to reach living wages, in the case that remuneration is below the living wage benchmark. The requirement 3.5.4 states: “*If remuneration (wages and benefits) is below the living wage benchmarks as approved by Fairtrade International, your company ensures that real wages are increased annually to continuously close the gap with living wage. The incremental steps and timeline toward the applicable living wage are negotiated with trade union/elected worker representatives*”

Fairtrade wants to ensure that workers and their families are able to meet the internationally recognized poverty lines with the basic wage rate they receive from the employer. This forms the basis for a proposed floor wage, which is normally significantly lower than the recognized Living Wage benchmarks approved by Fairtrade. Therefore, the value of in-kind benefits would be recognized in the context of a Living Wage but not recognized for compliance with the floor wage. This floor wage concept based on World Bank poverty lines was first introduced in the Flower and Plants Standard in 2017 and extended to the Fresh Fruit Standard in 2018. In the meantime, the World Bank has adjusted its poverty line methodology which differentiated values based on the country’s development status. The new poverty line approach will be applied for the first time in the Tea Standard.

The proposed floor wages concept below is based on the following features:

* exclusion of in-kind benefits;
* any cash allowances without a link to performance of workers will be counted towards the floor wage (i.e. cash allowances issued monthly to all workers as an entitlement and allowing workers full discretion on how to spend the money, for instance a monthly housing or transport allowance). Also, attendance bonuses received by a vast majority of workers can be included under the same conditions.
* monthly wage is calculated using country’s poverty line (refer to Table 1):

**[PPP rate private consumption for the given year x 1.90 (or 3.20) x 30.4 (average number of days per / month) x typical number of family members] / workers per family**

Table 1. World Bank Poverty Lines by Country, 2018

|  |  |  |
| --- | --- | --- |
| **Country** | **Development Level** | **World bank Poverty Line by Country** **(in PPPs\*)** |
| Bangladesh | Lower-Middle | 3.20 |
| India | Lower-Middle | 3.20 |
| Kenya | Lower-Middle | 3.20 |
| Sri Lanka | Lower-Middle | 3.20 |
| Malawi | Low | 1.90 |
| Rwanda | Low | 1.90 |
| Tanzania | Low | 1.90 |

**\****Purchasing Power Parity* *exchange rates ensuring that the same quantity of goods and services are priced equivalently across countries and is updated by the WB on a regular basis and can be found* [*here.*](https://data.worldbank.org/indicator/PA.NUS.PRVT.PP)

**The proposal aims at:**

* Introducing the requirement in the Tea HL Standard that would help lift wages, thereby contributing to livelihoods of workers and their families (refer to Table 2., ‘Wage required per month’).
* Using the country’s poverty line for calculation of a floor wage for hired labour in certified tea plantations, which would also mean requiring plantations to make a meaningful step towards providing a Living Wage.

Table 2. Calculation of floor wages for a selected number of countries, 2018

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Country | PPP private rate consumption, (LCU) |  | WB poverty line per day |  | Days/Month |  | No. of Family members[[1]](#footnote-2) |  | No. of Breadwinners1 |  | Wage required, per month(LCU) |
| Bangladesh | 34.15 | **x** | 3.20 | **x** | **30.4** | **x** | 4 | **/** | 1.58 | ***=*** | ***8,410.4*** |
| India | 21.15 | **x** | 3.20 | **x** | **30.4** | **x** | 5 | **/** | 1.58 | ***=*** | ***6,511.0*** |
| Kenya | 49.32 | **x** | 3.20 | **x** | **30.4** | **x** | 5.5 | **/** | 1.71 | ***=*** | ***15,431.7*** |
| Sri Lanka | 52.43 | **x** | 3.20 | **x** | **30.4** | **x** | 5 | **/** | 1.58 | ***=*** | ***16,140.5*** |
| Malawi | 236.25 | **x** | 1.90 | **x** | **30.4** | **x** | 5 | **/** | 1.59 | ***=*** | ***42,911.3*** |
| Rwanda | 294.30 | **x** | 1.90 | **x** | **30.4** | **x** | 5 | **/** | 1.76 | ***=*** | ***48,292.0*** |
| Tanzania | 834.60 | **x** | 1.90 | **x** | **30.4** | **x** | 5 | **/** | 1.76 | ***=*** | ***136,950.3*** |

*LCU – Local Currency Unit*

**The proposed change is:**

**6. To introduce a new ‘Fairtrade Floor Wages’ requirement to ensure that minimum cash wages do not fall below the international poverty line of the country. In instances where the existing cash wages fall below the international poverty line, Fairtrade plantations would be required to pay an additional cash lump sum to meet any shortfall. This payment would be made without a link to the performance of workers. The requirement would look as follows:**

NEW Floor wages

|  |  |
| --- | --- |
| Core | Your company ensures that wages paid to all workers do not fall below the international poverty line **($1.90/day or $3.20/day PPP)** set by the World Bank and in-kind benefits cannot be counted. You ensure that no benefits have been worsened /reduced after the introduction of this requirement except when formally agreed with a trade union. |
| Year 0 |

**Rationale:** To ensure that wages paid by employers do not fall below each country’s poverty line set by the [World Bank](http://www.worldbank.org/en/topic/poverty/brief/global-poverty-line-faq) (see Table 1).

**Implications:** Plantations would have to ensure the cash wages workers receive are not below the Fairtrade Floor Wage that is calculated based on World Bank poverty line of the country.

**Do you agree with the proposed requirement for this change?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**Please explain your rationale**

*Click here to enter text*

**Do you have alternative suggestions or additional comments on this topic?**

*Click here to enter text*

## Housing and sanitation

Analysis of non-compliance data and academic studies have shown that housing conditions are sometimes of inadequate quality and quantity. Although in HL standard the requirement on housing provides elements that define ‘decent housing’ (HL requirement 3.5.28, Core/ Year 3), there are still challenges in its implementation. However, for some Tea producing regions this requirement specifically addresses compliance with related existing national legislations. Thus earlier timelines for its implementation is also in line with the intention to improve worker’s conditions through enhanced quality of housing and access to sanitation.

**The proposal aims at:**

* Strengthening the existing requirement on housing conditions (HL req 3.5.28)
* Introducing a step-by-step approach to regular maintenance of houses to improve the quality of provided services to workers.

**The proposed changes are:**

**7. Strengthening the existing requirement in the HL Standard on workers’ housing for tea companies, changing it from Core/Year 3 to Core/Year 0.**

**Worker housing**

|  |
| --- |
| **Applies to:** Companies |
| **Core** | If your company provides housing for permanent, migrant, seasonal/temporary or former workers, it **is** such as to ensure structural safety and reasonable levels of decency, privacy, security and hygiene, and includes regular upkeep and improvement of housing and related communal facilities. If sanitary facilities are shared, a reasonable number of toilets and bathing facilities with clean water, per number of users, and according to regional practice, **are available**.National or state regulation **is complied with** in all cases and regional norms should be considered.If your company charges rent for housing, it **is** according to local averages. If your company provides the majority of general workers with basic housing, for free, you **compensate** workers who are not able to receive free housing with an allowance that will enable them to afford to rent a house of the same standard. Workers have the freedom to be able to choose if they want to be housed on the farm or not. |
| **~~Year 3~~ Year 0** |
| **Guidance:** Housing should only be provided for workers where farms are located far from normal centres of population, is not available in sufficient quantity, or where the nature of the employment requires that the worker should be available at short notice. The requirement and guidance are based on international labour standards. Guiding principles for **adequate** and **decent** housing to provide a suitable living environment for workers should aim to ensure:For family housing and dormitories:• Enough natural light during the daytime and access to sufficient artificial light, to be able to read by;• Ventilation that ensures sufficient movement of air in all conditions of weather and climate, and in the case where there is an interior fire for heating or cooking; • A supply of safe potable water that is enough for drinking and eating requirements;• Sanitary facilities that provide privacy, hygiene, and are sufficient in number;• Drainage that ensures hygiene and avoids environmental pollution;• Fire safety measures;• Safe electrical installations where they exist.For dormitories (generally considered short term housing solutions):• Separate accommodation of the sexes; • A separate bed for each worker;• Adequate headroom, providing full and free movement;• The minimum inside dimensions of a sleeping space should be at least 198 centimetres by 80 centimetres;• Beds should not be arranged in tiers of more than two;• Bedding and bedframe materials should be designed to deter vermin;• Heating where appropriate;• Adequate furniture for each worker to secure his or her belongings.In order to meet workers’ privacy needs, it is recommended management agrees with the workers on how their privacy requirements can be realised. For further details on housing, please see the [ILO Helpdesk Factsheet No. 6, 2009](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---multi/documents/publication/wcms_116344.pdf) on workers housing. |

**Rationale:** To improve housing conditions for workers

**Implications:** As of Year 0,if companies provide housing for permanent, migrant, seasonal/temporary or former workers, they ensure structural safety and decency.

**Do you agree with the proposed requirement for this change?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**Please explain your rationale**

*Click here to enter text*

**Do you have alternative suggestions or additional comments on this topic?**

*Click here to enter text*

**The proposed changes are:**

**8. To introduce a new Core/Year 0 requirement on housing assessment and improvement plan. The elements for the improvement plan would be provided in guidance and should include records of necessary repairs and timelines for implementation. This requirement would complement the requirement 3.5.28 on housing conditions in HL standard.**

|  |
| --- |
| **Applies to:** Companies |
| **Core Year 0** | You complete a housing quality assessment and put in place an improvement plan, including:* Total number of houses for which the company is responsible
* Number of houses that need to be built/repaired
* List of items that need to be built/repaired
* Timelines for implementation, which corresponds to the needs and urgency of repair
* Responsible person to check the improvements
* Records of complaints from residents and corresponding activities
 |

**Rationale:** To improve housing conditions for workers

**Implications:** As of Year 0, companies will have to demonstrate a plan on housing quality assessments and the improvement plan with timelines and items for repair.

**Do you agree with the proposed requirement for this change?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**Please explain your rationale**

*Click here to enter text*

**If you agree, what improvements can be expected over time for example in year 1, year 3 or year 6.**

*Click here to enter text*

**What other elements the assessment and improvement plan should include?**

*Click here to enter text*

**Do you have alternative suggestions or additional comments on this topic?**

*Click here to enter text*

## Occupational Health and Safety

Efforts and developments on occupational health and safety by estates have brought many improvements. Some of these positive changes are related to preventive measures towards handling and use of hazardous materials. Fairtrade’s requirements on occupational health and safety include prevention of accidents and elimination/reduction of hazards in the work place, following the ILO regulations and recommendations ([ILO Conventions C155](https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::p12100_instrument_id:312300) (Occupational Safety and Health Convention), [C184](https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C184) (Safety and Health in Agriculture Convention), [ILO Recommendation R164](https://www.ilo.org/dyn/normlex/en/f?p=1000:12100:::NO:12100:P12100_INSTRUMENT_ID:312502) (Occupational Safety and Health Recommendation), [ILO C077](https://www.ilo.org/dyn/normlex/en/f?p=1000:12100:::NO:12100:P12100_INSTRUMENT_ID:312222) and [C078](https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C078) (Medical Examination of Young Persons (Industry and Non-Industrial Occupations) Conventions), and [R102](https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R102) (Welfare Facilities Recommendation).

There are still gaps on provision of health and safety services. Thus, further improvements on the topic of health and safety of workers on tea plantations are necessary.

**The proposal aims at:**

* improving the occupational health and safety conditions for workers through strengthened requirement on health and safety risk assessments (HL, req 3.6.4), changing it from Dev/Year 3, to Core / Year 3;
* introducing a new Core/Year 1 requirement on treatment and compensation if workers suffer from a work-related illness or injury;

**The proposed changes are:**

**9. To strengthen the HL standard requirement 3.6.4 ‘Health and safety risk assessments’ in the Tea HL standard, changing from Dev/Year 3 to Core/Year 1 and requiring companies to carry out risk assessments at least once a year.**

**Health and safety risk assessments**

|  |
| --- |
| **Applies to:** Companies |
| **~~Dev~~ Core****~~Year 3~~****Year 1** | Your company carries out H&S risk assessments jointly with workers and their H&S representatives (see HL 3.6.3) at least once a year, and adapts safety measures accordingly. |
| **Guidance**: This requirement does not apply to small companies[[2]](#footnote-3) unless otherwise required by national legislation |

**Rationale:** To enhance worker’s protection through regular health and safety risks assessments.

**Implications:** As of Year 1, companies will have to regularly carry out annual assessment of risks to occupational health and safety of workers.

**Do you agree with the proposed requirement for this change?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**Please explain your rationale**

*Click here to enter text*

**The requirement 3.6.4 in HL standard does not apply to small companies1 unless otherwise required by national legislation. Would you agree to make it applicable to all companies regardless the size of the company?**

*Click here to enter text*

**Do you have alternative suggestions or additional comments on this topic?**

*Click here to enter text*

**10. To introduce a new Core/Year 1 requirement on treatment and compensation, to ensure that if workers suffer from a work-related illness or injury, workers receive appropriate treatment and compensation.**

**NEW Treatment and compensation**

|  |
| --- |
| **Applies to:** Companies |
| **Core****Year 1** | If your workers suffer from a work-related illness or injury, they receive appropriate treatment and compensation. |
| Guidance: Where employees are found to be suffering health problems resulting from their work, they should be: * redeployed to more suitable work where possible or / and;
* compensated according to the law or CBA; or / and;
* examined and treated appropriately by a medical practitioner at the employer's expense for as long as the condition persists
 |

**Rationale:** To provide better protection and compensation to workers

**Implications:** It will be mandatory for companies to provide treatment and compensation to workers who suffer from a work-related illness or injury.

**Do you agree with the proposed requirement for this change?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**Please explain your rationale**

*Click here to enter text*

**In relation to the requirement above, do you think the requirement in HL standard on ‘Training on occupational health and safety’ should change from ‘at least once a year’ to every 6 months?**

*Click here to enter text*

**Any additional comments?**

*Click here to enter text*

## Freedom of Association and Collective Bargaining

In the existing HL Standard, requirement 3.4.5 ensures representatives of trade union organizations can meet with workers on company premises. Human Rights / Labour Rights NGOs could also be an effective resource for workers - providing services to workers for capacity building and worker education on and rights in the workplace. Specialized Human/Labour Rights NGOs could also help to educate workers on how to best organize themselves in trade unions, or other worker committees, engage in social dialogue and negotiate with their employer on terms and conditions of employment and housing.

**The proposal aims at:**

* introducing a new requirement, to provide access to Human Rights / Labour Rights NGOs to meet with workers raising the awareness on workers’ rights while at the same time, not undermining the Trade Union’s (TU) activities. This requirement would be built on and expand the Core/Year 0 requirement in the HL standard, allowing trade union representatives to meet with workers. Also this change would be even more relevant in places, where Trade Union activities and representation are impaired.

**The proposed changes are:**

**11. To introduce a new requirement to allow labour rights NGO representatives to meet with workers**

**NEW**

|  |  |
| --- | --- |
| **Core** | Your company allows workers and plantation residents to meet with Human Rights / Labour Rights NGO representatives in order to inform them on their rights at an agreed time and place. Times and locations of these agreed meetings are reasonable and management does not interfere in any way with, or conduct any surveillance of these meetings. The meetings shall not undermine existing activities of elected trade unions, which is a matter for determination by the unions. Unions do not need to grant permission beforehand. |
| **Year 0** |

**Rationale:** To raise the awareness on workers’ rights, especially critical in places where TU representation is not effective.

**Implications:** Companies would allow NGOs to meet with workers under conditions defined in the requirement.

**Do you agree with the proposed requirement for this change?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**Please explain your rationale**

*Click here to enter text*

**Do you have alternative suggestions or additional comments on this topic?**

*Click here to enter text*

# Fairtrade Premium Management

## Fairtrade Premium use

The FP should be used according to the conditions set in the Fairtrade Standard for HL. However, there is an exception made to companies located in Darjeeling (requirements 2.1.2 and 2.1.3 in Tea HL). This was introduced in 2010 to support the plantations in this region due to a critical economic situation. In the standard it states that the basic needs for workers (e.g. housing, water, sanitation) may be partly financed through the Fairtrade Premium given the critical economic situation in the region and that Fairtrade Premium can be used under certain conditions for infrastructure projects that would benefit both the plantation management and workers’ community. These projects have to be approved by workers.

This requirement has attracted criticism as it may have created unbalanced / biased conditions where the focus to support exceptional use of FP is given to HL organizations in only one of Fairtrade tea producing regions ([Brugger, 2017](https://www.researchgate.net/publication/323959757_Power_Relations_in_the_Global_Production_Net-work_for_Orthodox_Himalayan_Tea_Analyzing_Fairtrade_Tea_Production_in_East_Nepal_and_Darjeeling_Through_the_Power-as-Translation_Framework_and_the_Power_Cu)).

**The proposal aims at**:

* creating a level playing field for all Tea HL companies, harmonizing the rules of FP use in all regions.

**The proposed change is:**

**12. Deletion of requirements 2.1.2 and 2.1.3 in Tea HL**

|  |
| --- |
| **~~2.1.2~~** ~~An exception to 2.1.1 is made in the case of Darjeeling where basic needs for workers (e.g. housing, water, and sanitation) may be partly financed through the Fairtrade Premium. This is due to the critical economic situation in the Darjeeling region.~~ |
| **~~2.1.3~~** ~~The use of Fairtrade Premium money for state and company obligations in Darjeeling must conform to the following guidelines:~~* ~~Infrastructure projects of benefit to both the plantation management and the workers’ community may be approved by Fairtrade International if it can be demonstrated to Fairtrade International’s complete satisfaction that this has the clear approval of the workers.~~
* ~~For such projects Premium money may be used if the company provides at least 50% of the total costs from their own resources as matching funds.~~
* ~~In cases where the company lacks immediate capital for such investments, the Fairtrade Premium Committee may make a loan to the company to cover the company’s 50% investment which is to be reimbursed over a period stipulated by the Fairtrade Premium Committee at an interest rate which covers at least the rate of inflation over the defined period.~~
 |

**Rationale:** to eliminate unequal conditions for FP use in Fairtrade tea producing regions which may bring FP benefits (other than infrastructure projects) to workers in the region.

**Implications:** Companies in Darjeeling will have to follow general rules on Premium management and use as outlined in section 2.1 ‘Management of Fairtrade Premium’ in HL standard.

**Do you agree with the proposed change for this topic?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**Please explain your rationale**

*Click here to enter text*

**Do you have alternative suggestions or additional comments on this topic?**

*Click here to enter text*

##  Sustainability Margin

In the existing HL Tea Standard, 20% of Fairtrade Premium goes directly to estate management (and not the Fairtrade Premium Committee) to support improvements in working conditions as part of ongoing certification and compliance with Fairtrade Standards. This is referred to as the Sustainability Margin and is applicable only for conventional teas from the *Camellia* plant made using the CTC production method, and for conventional “fannings” and “dust” made using the orthodox production method.

Stakeholders have requested to extend the sustainability margin to organic tea as well, to ensure fairness and consistency across different production methods.

The requirement 2.1.4 requires to split the payment between the FP paid to FPC (80%) and to the estate (20%), and that it has to be clearly documented (two separate bank payments/invoices with price of goods). However, it is not explicit whose responsibility is to send and split the invoicing. According to the feedback from auditors, it is understood that when a full amount is invoiced, it is challenging on a regular basis to deviate from the invoice and pay 80 % to the FPC account and 20% to the estate. A compliance criterion regulating the invoicing has been already introduced both for traders and HL.

**The proposal aims at:**

* Introducing a clause that requires companies to split the invoicing of the FP
* Exploring if the proportion of 20% of FP as a sustainability margin is sufficient
* Explore if sustainability margin approach should also apply for organic tea produced with similar methods (CTC & orthodox “dust” and “fannings”)
* Explore if a clearer guidance on use of the sustainability margin is needed

**The proposed changes are:**

**13. New requirement that complements to requirement 2.1.4 in the Tea HL Standard, clarifying options for the invoicing of sustainability margin.**

**NEW**

|  |  |
| --- | --- |
| **Applies to:**  | Companies |
| **Core** | You clearly split the invoicing of the Fairtrade Premium, indicating the amount that corresponds to 20% of the full Premium as a sustainability margin to be paid to the estate in a separate invoice from the invoice for 80% of full premium to be paid to the FPC. |
| **Year 0** |

**Rationale:** To align with existing compliance criteria clarifying procedure for invoicing of sustainability margin and Fairtrade Premium appropriate responsibilities for invoicing on sustainability margin.

**Implications:** When companies invoice the payer/conveyor for FP they do it in separate invoices clearly indicating the proportions (20% and 80%) of the premium amount and the recipients.

**Do you agree with the proposed requirement for this change?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**Please explain your rationale**

*Click here to enter text*

**Do you have alternative suggestions or additional comments on this topic?**

*Click here to enter text*

**Do you think the sustainability margin as a concept as such, is achieving its objective to improve working conditions?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**Please explain your rationale in case you partially agree or don’t agree**

*Click here to enter text*

**Any additional comments?**

*Click here to enter text*

**Do you think the proportion of sustainability margin of 20% should be kept as it is?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**Please explain your rationale in case you partially agree or don’t agree**

*Click here to enter text*

**Any additional comments?**

*Click here to enter text*

**Do you think that the sustainability margin should be extended to organic tea made with CTC production method and orthodox “dust” and “fannings”?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**Please explain your rationale in case you partially agree or don’t agree**

*Click here to enter text*

**Any additional comments?**

*Click here to enter text*

**Do you think that there should be an additional guidance on how and for what activities sustainability margin should be used?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**Please explain your rationale**

*Click here to enter text*

**Do you have alternative suggestions or additional comments on this topic?**

*Click here to enter text*

## Distribution of Fairtrade Premium for multi-estates

For producer organisations certified as multi-estates, the central structure provides the certification body with an overview of the total Fairtrade Premium income of the company, the distribution of the Fairtrade Premium to the local Fairtrade Premium Committees, and an aggregated version of the individual Fairtrade Premium Plans (HL requirement 2.1.2). Further, in HL requirement 2.1.7 it is defined that the distribution of Fairtrade Premium funds may be based on volumes sold or number of workers represented by the local Fairtrade Premium Committee. However, the decision on distribution of the FP in multi-estates has been criticized as lacking transparency.

**Do you agree that there is a need to specify rules regarding FP distribution for the multi-estate plantations?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**If you agree, please describe what elements of the distribution should be regulated?**

*Click here to enter text*

**Any additional comments?**

*Click here to enter text*

# Development potential

The baseline conditions for organizations to benefit from Fairtrade and generate impact include such elements as management capacity, market perspectives, independence on traders/NGOs, labour conditions supporting social and economic development of the workers.

There is a need to promote the importance of effective implementation of Fairtrade Tea Standards through a better awareness among management on what Fairtrade means.

**The proposal aims at:**

* promoting plantation’s continuous improvement in meeting the Fairtrade Standards requirements, including the functioning of the Fairtrade Premium Committee (FPC).

**The proposed change is:**

**15. To introduce a New Core/Year 0 requirement on a regular self-assessment of Fairtrade requirements implementation to increase awareness of the company on their areas for improvement before they join Fairtrade and promote their continuous improvement after certification is achieved.**

**NEW Self-assessment of management in implementing Fairtrade**

|  |
| --- |
| **Applies to:** Companies  |
| **Core** | The management regularly self- assesses its effectiveness in implementing Fairtrade and seeks external support in case the implementation of Fairtrade is not effective.The method, findings and recommendations of the self-assessment need to be documented and made available to the certification body. |
| **Year 0** |
| **Guidance:** To determine the company’s strengths and weaknesses in implementing Fairtrade, the management evaluates how successful the company has been in creating and ensuring the necessary formal and structural environment for efficient and effective work of the Fairtrade Premium Committee (FPC), the elected workers representatives and other forms of worker’s representatives. Particular attention should be given to the participation of women in these groups. The management delegates responsible for carrying out tasks specified in Fairtrade Standards (e.g. Fairtrade Officer, Health and Safety Officer) |

**Rationale:** To promote not only a better implementation of Fairtrade but also a more structured approach with clear allocation of responsibilities and identification of potential gaps for improvements, for newly certified as well for existing certified organizations.

**Implications:** Management of companies of currently certified organizations will have to document procedures and activities that are carried out on evaluation of work and effectiveness of the implementation of the Fairtrade requirements including the functioning of the Fairtrade Premium Committee (FPC). New applicants would need to carry out this self-assessment before joining Fairtrade.

**Do you agree with the proposed requirement for this change?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**Please explain your rationale**

*Click here to enter text*

**If you agree, please provide what elements the self-assessment should include (for example level of awareness needed among workers and management on the Fairtrade requirements)**

*Click here to enter text*

**Do you have alternative suggestions or additional comments on this topic?**

*Click here to enter text*

# General Requirements and Commitment to Fairtrade

## Compliance committee

Workers are the main beneficiaries of Fairtrade in Hired Labour situations. Introducing the opportunity for workers to participate in verification of social requirements would be essential to involve workers in the Fairtrade system at company level, besides Premium management. To foster their empowerment and their ownership of Fairtrade certification, the proposal is to put in place a Compliance Committee to strengthen the implementation of the Fairtrade Standards and workers’ empowerment.

**The proposal aims at:**

* Introducing a clause requiring compliance committee in place
* Exploring what additional elements of regulation could be included for compliance committee

**The proposed change is:**

**16. To introduce a New Core/Year 1 requirement to have a Compliance Committee in place and a new Core/Year 1 requirement defining the composition of the compliance committee.**

**New Compliance Committee**

|  |  |
| --- | --- |
| **Core****Year 1** | A Compliance Committee (CC) is created with the purpose of engaging the workers in the implementation of the requirements in this standard.The tasks of the CC include, but are not limited to:* twice a year, facilitating internal audits by meeting and consulting with workers to identify and prioritize areas of potential and actual non-conformance with the standard;
* conducting annual risk assessments;
* reporting on internal audits and risk assessments to senior management for internal audit policies and procedures;
* disseminating internal audit results and results of the risk assessments to workers through written communication and at an annual general (GA) assembly of workers;
* supporting workers in understanding the grievance procedure and using it when necessary. Anonymity is necessary when supporting workers with the grievance procedure;
* recommending and prioritizing actions with time lines to senior management to address these risks.

The areas for compliance assessment must include, but are not limited to:* Housing and sanitation
* Occupational health and safety
* Child care and position of women
 |
| **Guidance:** The Compliance Committee tasks may be undertaken by already established committees present in the workplace. Input from workers can be collected through meetings or in written form. |

**New Compliance Committee composition**

|  |  |
| --- | --- |
| **Core****Year 1** | The Compliance Committee is formed at estate level and consists of at least 4 and no more than 6 worker members that are freely elected. Worker members shall be democratically elected in a general assembly of workers.The composition of the CC reflects the composition of the workforce, taking into account gender as well as type of work and rank. At least 50% of members are women. Where a single trade union is present at the estate, they appoint 2 additional members one of which should be a woman. A current list of CC members is posted and accessible to all workers in the workplace. |
| **Guidance:** Where more than one trade union is present, they may each appoint one additional member besides the freely elected worker members, whilst maintaining the gender balance of the committee. |

**Rationale:** Through participation in a Compliance Committee, workers are engaged directly in company compliance with the standard making them partners in assessing risks in the work place and ensuring they are trained appropriately in order to take on this role.

**Implications:** The company would need to ensure that free and democratic elections are held at estate level to form the compliance committee. The company shall not express support for any of the candidates. Besides the elected committee members, trade unions will have the opportunity to appoint a limited number of additional committee members to ensure that trade unions are aware of compliance issues relevant to their own duties, they can choose to bring these matters forward in social dialogue, and promote trust and collaboration between the compliance committees and the unions

**Do you agree that this change is required?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**Please explain your rationale**

*Click here to enter text*

**If you agree, what else should be defined for the Compliance Committee (e.g. frequency of meetings, time and resources allocation etc)**

*Click here to enter text*

**Do you have alternative suggestions or additional comments on this topic?**

*Click here to enter text*

## Social development

Requirement 2.2.4 in the existing HL Standard focuses on training the representatives of the trade union/elected worker representatives on labour legislation and negotiation skills. This requirement is currently a development requirement, applying from Year 3, and does not include clarity or guidance on how the quality of the training.

**Proposal aims at:**

* Strengthening the requirement on training of trade union/elected worker representatives and clarifying the clause to ensure the training quality.

**The proposed change is:**

**17. To strengthen requirement on training for trade union / elected worker representatives, moving from Dev/ Year 3 to Core/Year 3 and modifying the guidance to state these trainings should be provided by labour rights organizations or experts.**

Training trade union/elected worker representatives

|  |  |
| --- | --- |
| ~~Dev~~Core | Trade union/elected worker representatives are **trained** on labour legislation and negotiation skills.Training **takes place** during working hours and on an annual basis.Your company **records** all training activities. Records **include** information on topics, time, duration, names of attendees and trainers. |
| Year 3 |
| **Guidance:** Training for workers is essential in order to achieve empowerment. Training can be provided by trade unions, labour rights organisations or labour rights experts selected by the Producer Network. These trainings can not be conducted by the employers of the plantation. ~~Fairtrade International or other relevant external organizations~~. |

**Rationale:** Requiring trade union or worker representatives to be trained as a mandatory clause raises the importance of having functional Trade Union or elected group of worker representatives who can provide competent support on topic of labour legislation.

**Implications:** It is mandatory forcompanies to ensure that trade union / elected worker representatives are trained and that there is a procedure in place (i.e. records) on regular implementation of trainings.

**Do you agree with the proposed requirement for this change?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**Please explain your rationale**

*Click here to enter text*

**Do you have alternative suggestions or additional comments on this topic**

*Click here to enter text*

# Trade. Requirements applicable to traders sourcing from SPO and HL estates.

## B2B transparency

Companies buying Fairtrade Tea should be informed whether the tea comes from Fairtrade producers as physically traceable or segregated product, or whether an equivalent Fairtrade volume was purchased from Fairtrade producers applying mass balance rules. This requirement is in Trader Standard and currently applies to all cocoa and sugar producers and traders (requirement 2.1.13). Since mass balance rule applies also to tea, it is necessary to align and harmonize Trader Standard by adding tea in the scope of the requirement and by introducing similar requirements in Tea SPO and Tea HL standards.

**The proposal aims at:**

* Aligning the 2.1.13 requirement on B2B transparency in the Trader Standard and introduce the requirements in Tea SPO and Tea HL standards.

**The proposed change is:**

**18. Add in the Trader Standard requirement 2.1.13 tea as a product in the scope of the requirement.**

**NEW 2018 B2B transparency on traceability model**

|  |
| --- |
| **Applies to:** all cocoa, ~~and~~ sugar, and tea producers and traders |
| **Core** | Whenever you sell cocoa, tea or sugar products as Fairtrade, you indicate in your sales documentation whether the product is segregated (physically traceable) or traded under mass balance.  |
| **Guidance**: Sales documentation in this context could be either the contract, the invoice or delivery docket. Please note that the rules regarding Business to Consumer communication are not covered in this requirement, but are included in the Guidelines for the Use of the Mark. |

**Rationale:** to align and harmonize Tea SPO and HL Standards with Trader Standard.

**Implications:** companies and producer organizations have to indicate in sales documentation if tea was traded under mass balance rules or as physically traceable.

**Any additional comments?**

*Click here to enter text*

## Retro-certification

Retroactive certification (also known as retro-certifcation) takes place when a buyer has bought product from a certified producer or conveyor under ordinary conditions (non-certified), and want to convert it into a certified product at a later stage. The Tea standards (HL and SPO) require traders to formally notify Fairtrade/FLOCERT about the intention to retro-certify a certain volume of Tea. This intention is formalized in the Tea Retro-Advice note, which ensures that the Fairtrade certified producer is notified in writing of the retro agreement (with expected payment timelines, the volume, the Fairtrade Premium amount due, the Fairtrade Price adjustment (where applicable if original price paid is below applicable Fairtrade Minimum Price) and a justification for retro-certifying).

Buyers receive permission to retro-certify as Fairtrade a certain % of the total volume that they bought from a Fairtrade producers. For African teas, up to 30% of original volume purchased may be retrospectively declared as Fairtrade and up to 3 months after the month of the original purchase invoice. For Orthodox and non-African CTC teas, buyers may retro-certify up to 100% of volume purchased on the original invoice from a given Fairtrade certified producer and up to 6 months after the month of original purchase invoice.

The intention is that retro-certification does not become common practice. It may add challenges for producer organizations to plan ahead (Premium usage, business investment and development) but it also allows some flexibility in trading.

In some cases trader may opt not to sell the tea as a Fairtrade certified, even after receiving the approval. This may increase risks when traders are not ready to pay the FP and FMP differential (if applicable), and consequently enhances the above mentioned challenge for producer organizations.

**The proposal aims at:**

* strengthening the requirement on retro-certification, through addition of a clause that regulates systematic purchase of retro-certified volumes.

**The proposed change is:**

**19. To introduce a requirement on regulating FP and FMP payment for volumes bought as retro-certified**

**NEW Retro-certification**

|  |
| --- |
| **Applies to:** traders |
| Core | Prior to retro-certifying tea, you have completed the payment of Fairtrade Premium and FMP and any price adjustments for the previous volume purchased as Fairtrade retro-certified and the receipt of the same has been confirmed by the producers. |

**Rationale:** to reduce risks for producer organizations and companies in planning of Fairtrade Premium use after having the retro-certification approved

**Implications:** traders who are applying for retro-certification of a certain tea volume have to prove that FP and FMP were paid for the earlier lot of retro certified tea

**Do you agree with the proposed requirement for this change?**

[ ] Strongly agree

[ ] Partially agree

[ ] Disagree

[ ] Not relevant to me / I don’t know

**Please explain your rationale**

*Click here to enter text*

**Do you have alternative suggestions or additional comments on this topic?**

*Click here to enter text*

# General comments/ feedback on the Tea HL standard review

In this section you are invited to comment on questions on this consultation document or any requirement in the [Fairtrade Standard for Tea for Hired Labour and Traders](https://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/generic-standards/Tea_HL_EN.pdf).

**Please include the specific requirement number where possible and topic with your comments.**

**We welcome alternative proposals, with rationale and analysis as detailed as possible.**

|  |  |
| --- | --- |
| **Topic/ requirement number** | **Comments/ feedback** |
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If you need some more information before commenting on this document do not hesitate to contact standards-pricing@fairtrade.net

# PART 2: Pricing review

The part 2 presents the current Fairtrade pricing model applied to tea and explore initial proposals to make it simpler and fit for the purpose of delivering impact and enabling trade benefits to producers and workers in tea.

## Pricing Model

Fairtrade Minimum Price (FMP) and Fairtrade Premium (FP) for tea are differentiated according to 1) the processing method used in its production (i.e. Orthodox, CTC and Instant), 2) geographical regions (i.e. worldwide, continents and country specific), 3) conventional and organic, and 4) price level (FOB, auction). Table 3 below outlines the current Fairtrade pricing model for Tea taking into account the combination of the 4 elements described above. Table 10 in Annex 1 of this document shows the full table with FMP and FP for Tea.

Table 3 Current Fairtrade Pricing model for Tea Overview

|  |  |  |  |
| --- | --- | --- | --- |
| **Fairtrade Tea Pricing groups** | **Geographical Scope** | **FMP** | **FP** |
| **Price level**  | **Values** | **Organic differential** | **Value** |
| * Orthodox Teas
 | Worldwide |  | Commercial prices | Not applicable | * 1. USD / kg (conv/org)
 |
| * Instant tea
 | Worldwide |  | Commercial prices | Not applicable | 10% (org),15% (conv) of the commercial price |
| * CTC teas
* Fannings and dust from orthodox teas
 | Continents, regions, countries, sub-countries. | FOBandAuction | 60 different FMPs | 0.20 USD / kg | 0.5 USD / kg (conv/org) |

This first round of consultation on Pricing topics intends to review the Fairtrade pricing model for tea. Fairtrade wants to know your opinion about different aspects of our price model. Fairtrade wants to assess if the product classification, price levels, organic differential and geographical scope, as listed in Table 3, are still valid and which should be the general direction to adopt in our pricing model.

The current pricing model and the product classification adopted in the last past review (2010) intended to match the market price settings and practices in reality. Based on desk research and comments from stakeholders as well as from the project team, we have identified a few possible areas of improvement of the pricing model. Therefore, this section addresses only the areas identified, but we also encourage stakeholders to provide general feedback to the pricing model at the end of the Pricing section (section 9.5).

Note that this consultation does not intend to assess specific values for the FMP and FP. We understand that FMP/FP values should be consulted only when we have a clear idea of the price model that should be applied for Fairtrade tea and have your opinion about the standards changes proposed. Fairtrade has collected COSP, last year, but these COSP were reported taking into account the current price model and the costs of production *before* changing the standards. We assume that after the first round of consultation, we will be able to improve our pricing model and go for a second round of consultation presenting FMP and FP that better fit the direction you expressed in this consultation. Therefore, we encourage you to provide your responses on the pricing section taken into account the potential impact on costs of production of the proposed changes in the standards section.

#### COSP collection as basis to prepare FMP proposals

The general Fairtrade price setting is based on the cost of sustainable production (COSP) where a floor price is guaranteed against the market price decline whilst taking into account the market acceptance. Nevertheless, the Fairtrade tea sales remain low in relation to the total tea sales volume of the Fairtrade certified producers. This challenges the current price setting whether the price model is able to provide adequate benefits to producers, especially in time of low market prices.

A specific tool[[3]](#footnote-4) to collect Costs of Sustainable Production (COSP) was designed to collect Costs of Production from Fairtrade Certified Tea producers. The tool was sent to all Certified producers for Tea. In total Fairtrade received data from 32 producers, from India, Sri Lanka, Kenya, Malawi, Rwanda, Tanzania and Uganda. In terms of Fairtrade production, they represent 35% of the total Premium received in tea in 2017 and 28% of the total producer organizations certified in 2018 (June 2018). The preliminary results show that current FMP are below the average COSP.

Final results will only be used together with the analysis of the 1st consultation responses, in order to use COSP to prepare the FMP proposals that fit to any possible changes to the Pricing model for tea.

## Fairtrade Tea Prices and product classification

The Fairtrade prices are set for the following 3 product groups which are associated to the processing method used in tea production.

1. **Orthodox****[[4]](#footnote-5)** production method
2. **CTC[[5]](#footnote-6)** production method
3. **Instant tea**.

Figure 1 below provides an overview on how Fairtrade prices are set for each of the products we have.

Figure 1 Fairtrade Tea classification and pricing model



For orthodox teas, Fairtrade differentiates Fairtrade prices for whole and broken leafs from fannings and dust. For instance, Fairtrade does not set FMP for whole and broken leafs. Instead, the commercial price and FP are applicable.

For **orthodox fannings and dust**, on contrary, Fairtrade has a FMP and FP which are the same as for all **CTC teas**. For these teas, Fairtrade has 60 FMP and FP based on the origin, on price level and on organic/conventional.

For **instant tea** Fairtrade does not set a FMP, but only applies the commercial prices. The FP is also different for this category where is applied a percentage of the commercial price.

Related to the Fairtrade Tea products, there are questions about relocating orthodox fannings and dust, about possible differentiation of CTC grades and on the possibility to create FMP and FP for green leafs, but if you have any other feedback/proposal, please feel free to indicate at the end of the pricing part (section 9.5).

### Orthodox fannings and dust

Fannings and dust produced using orthodox and all teas produced via CTC method have the same nominal FMP and FP, even if the graded are very different. According to the desk research, fannings and dust using orthodox method have a higher quality and command a higher market value when comparing with CTC teas (see transaction information in Table 9 in the Annex). The overall costs of production collected by Fairtrade also indicate that costs of production for orthodox tea are higher than for CTC. However, market practices (i.e. blending tea) indicate that orthodox fannings and dust and CTC teas are ending in the same product. In order to bring adequate benefits to producers who produce orthodox tea (including fanning and dust), we need your feedback for the following questions:

Question 5

**Would you be in favour to differentiate FMP for Orthodox fannings and dust from CTC (all grades)?**

[ ]  Yes, (go to Question 6)

[ ]  No, (go to Question 7)

Please, explain your rationale. *Click here to enter text*

Question 6

**Would you agree having the same FMP and FP for orthodox fannings and dust than for orthodox broken and whole leafs (Commercial Prices + Fix Premium)?**

[ ]  Yes, it should have the same FMP and FP

[ ]  No, it should have different FMP and/or FP

Please, explain your rationale. *Click here to enter text*

### CTC grades

Currently, any black CTC grades[[6]](#footnote-7) are sold with a fixed FMP and premium of 0.5 USD / KG, without differentiating the grades. It means that a single floor price for all grades of CTC applies and that could potentially impede the Fairtrade sales if the quality of the tea is considered as a lower grade. Stakeholders input is sought on this proposal on which grade(s) of the CTC should be considered as lower grade.

Question 7

**Are you in favour of keeping the same FMP and FP for all CTC tea grades (broken, fannings, dust)?**

[ ]  Yes (go to Question 9)

[ ]  No, it should be differentiated per grades (go to Question 8)

Please, explain your rationale *Click here to enter text*

Question 8

**Which black CTC tea grades should be considered as lower grades, and have a different pricing model?**

[ ]  CTC broken

[ ]  CTC fannings

[ ]  CTC dust

[ ]  I have other proposal, please describe below.

Please, explain your rationale. *Click here to enter text*

### Fairtrade prices for green leafs

Some tea producer organizations produce and sell green leaf instead of made tea. Green leaf is a product that has to be sold quickly to preserve the quality. We assume that having prices for green leaf will provide more negotiation power to non-processing producers and can open the possibility where SPOs are able to sell green leaf as Fairtrade. The prices for green leafs will only apply to SPOs who sell green leaf.

Question 9

**Are you in favour of introducing a FMP and FP for green leafs?**

[ ]  Yes (go to Question 10)

[ ]  No (go to Question 12)

Please, explain your rationale. *Click here to enter text*

Question 10

**Do you think Fairtrade should set specific FMP or adopt commercial prices for green leafs?**

[ ]  Adopt the Commercial Price

[ ]  Set a FMP

Please, explain your rationale. *Click here to enter text*

Question 11

**Please, indicate the geographical scope of the prices that should be adopted for green leafs?**

[ ]  Only one FMP applying worldwide.

[ ]  Only for the following countries: *Click here to enter text*

Please, explain your rationale *Click here to enter text*

## Geographical scope

The current tea geographical scope is depicted in the Figure 2 below. For orthodox teas (except fannings and dust) the pricing model applies worldwide; for CTC and fannings and dust from orthodox, prices are set differently per country/region (detail shown in Table 4); for instant tea, the pricing model applies worldwide

Figure 2 Geographical scope of Fairtrade price model



Table 4 below shows the geographical divisions used to set FMP for CTC and Orthodox fanning and dust in more detail. You can notice that Fairtrade prices are set for continents, sub-continent, country and sub country level. Prices set at sub country level, for instance, supersede prices set at country level and sub-continent supersede prices at continent level. The geographical distribution of prices covers all the origins, but at the same time create a lot of differences among different geographies. Please consider the possible adaptation of the products classification questions addressed in section 9.1 when answering to the following question.

Table 4 Current regional divisions for setting specific FMP for CTC teas and orthodox fannings and dust

|  |  |
| --- | --- |
| **Asian origins** | **Continent** |
| Asia (except China, India, Sri Lanka) |
|  **Country** |
| Sri Lanka |
| China |
|  **Sub-country** |
|  India - Darjeeling |
|  India - Nilgiri (in the south) |
|  India - North India |
|  India - South India (except Nilgiri) |
| **African origins** | **Continent** |
| Africa (except Eastern Africa and Malawi) |
|  **Sub-continent** |
| Eastern Africa (except Kenya, Uganda, Rwanda and Tanzania) |
|  **Country** |
|  Kenya |
|  Malawi |
|  Rwanda |
|  Tanzania |
|  Uganda |
| **South American origins** | **Continent** |
| South America |

Question 12

**Are you in favour keeping the current geographical setting for CTC tea as presented in Table 4?**

[ ]  yes

[ ]  Change the current distribution merging or regrouping some regions and/or countries.

Please, explain your rationale and share your ideas on how it should be:

*Click here to enter text*

## Fairtrade Price levels

For main orthodox teas there is no price level set, as the FMP are commercial prices and the FP is a fix value per kg of tea. No matter which Price level is used in contracts/transactions the FP amount will not vary for different price levels.

But for Instant teas, even if the FMP are commercial prices, the FP is a percentage of this commercial prices and therefore there is need to set a price level to indicate at which level the percentage FP has to be calculated. According to the Fairtrade transactions reports (2014-2017) all Instant tea transactions were reported at FOB level.

Question 13

**Would you be in favour to specify the Price level for Instant Tea at FOB level?**

[ ]  Yes

[ ]  No

[ ]  Not relevant to me.

Please, explain your rationale *Click here to enter text*

For CTC pricing group, FMP are set at two different price levels: FOB and Auction. For most of the countries/regions the FMP set for FOB and for Auction are the same. However, for Eastern Africa and Malawi, the FOB and Auction price are set differently (the FMPs for Auction are below the FMP for FOB, with differences ranging between 0.1-0.3 USD/kg, see the following Table 5).

Table 5 Current FMP for CTC black teas from African origins

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Auction FMP** | **Difference****FOB – Auction** | **FOB FMP** |
|  | **Conv** | **Org** | **Conv** | **Org** |
| **African origins** | **Continent** |  |  |  |  |  |
| Africa (except Eastern Africa and Malawi) | 1,2 | 1,4 | 0 | 1,2 | 1,4 |
|  **Sub-continent** |  |  |  |  |  |
| Eastern Africa (except Kenya, Uganda, Rwanda and Tanzania) | 1,4 | 1,6 | 0,1 | 1,5 | 1,7 |
|  **Country** |  |  |  |  |  |
|  Kenya | 1,7 | 1,9 | 0,1 | 1,8 | 2 |
|  Malawi | 1,1 | 1,3 | 0,3 | 1,4 | 1,6 |
|  Rwanda | 2 | 2,2 | 0 | 2 | 2,2 |
|  Tanzania | 1,5 | 1,7 | 0,1 | 1,6 | 1,8 |
|  Uganda | 1,7 | 1,9 | 0,1 | 1,8 | 2 |

The questions below focus only on the CTC pricing group, and are organised based on the countries/regions: Eastern Africa and Malawi countries vs all other countries included in the CTC pricing group. As mentioned above, specific FMP values will be consulted in the second round of consultation. Nevertheless, before proposing specific values for FMP, stakeholder input is sought on guidance on price setting at FOB and for auctions.

Question 14

**Should Fairtrade continue setting prices at Auction and FOB level for CTC pricing group?**

[ ]  Yes, keep both price levels

[ ]  No, I have other proposal (describe below)

Please, explain your rationale *Click here to enter text*

Question 15 (for Eastern Africa and Malawi)

**For CTC tea, do you agree to keep the current FMP difference (see Table 5) between Auction and FOB per region/country?**

[ ]  Yes, keep the current difference per country

[ ]  No, I have other proposal (describe below)

Please, explain your rationale *Click here to enter text*

Question 16 (for other regions: no Eastern Africa and Malawi)

**For CTC tea, do you agree to keep the same FMP value for Auction and FOB?**

[ ]  Yes, keep the same FMP for Auction and FOB.

[ ]  No, I have other proposal, please describe below

Please, explain your rationale *Click here to enter text*

## Organic and conventional prices

The Fairtrade Minimum Price for organic teas is obtained by adding an organic differential of USD 0.2 per Kg on top of the FMP for the conventional tea. This differential only applies to tea using the CTC production method and “fannings” and “dust” teas produced using orthodox method.

Question 17

**Are you in favour of keeping the current organic differential (0.2 USD / kg)?**

[ ]  Yes, keep the organic differential at +0.20USD / kg higher than conventional FMPs.

[ ]  No, I have other proposal (please, describe below).

Please, explain your rationale *Click here to enter text*

## General comments/ feedback on the Tea Pricing topics

In this section you are invited to comment on questions on this consultation document.

**Please include the specific topic with your comments.**

**We welcome alternative proposals, with rationale and analysis as detailed as possible.**

|  |  |
| --- | --- |
| **Topic** | **Comments/ feedback** |
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If you need some more information before commenting on this document do not hesitate to contact standards-pricing@fairtrade.net

# Annex 1 Tables and figures to Pricing consultation document

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| Table 6. Black Tea grade’s: CTC Tea

|  |  |  |
| --- | --- | --- |
| **Kind of Tea** | **Grade name** | **Nomenclature** |
| Broken | PEK | Pekoe |
| BP | Broken Pekoe |
| BOP | Broken Orange Pekoe |
| BPS | Broken Pekoe Souchong |
| BP 1 | Broken Pekoe one |
| FP | Flowery Pekoe |
| Fannings | OF | Orange Fannings |
| PF | Pekoe Fannings |
| PF 1 | Pekoe Fannings one |
| BOPF | Broken Orange Pekoe Fannings |
| Dust | PD | Pekoe Dust |
| D | Dust |
| CD | Churamani Dust |
| PD 1 | Pekoe Dust one |
| D 1 | Dust one |
| CD 1 | Churamani Dust one |
| RD | Red Dust |
| FD | Fine Dust |
| SFD | Super Fine Dust |
| RD1 | Red Dust one |
| GD | Golden Dust |
| SRD | Super Red dust |
| Source: <http://www.deeshaindiatea.com/orthodox-grade.php>  |

 | Table 7. Black Tea grade’s: Orthodox Tea

|  |  |  |
| --- | --- | --- |
| **Kind of Tea** | **Grade name** | **Nomenclature** |
| Whole Leaf | FP | Flowery Pekoe |
| FTGOP | Fine Tippy Golden Flowery Orange Pekoe |
| TGFOP 1 | Tippy Golden Flowery Orange Pekoe |
| GFOP | Golden Flowery Orange Pekoe |
| FOP | Flowery Orange Pekoe |
| OP | Orange Pekoe |
| Broken | BOP1 | Broken Orange Pekoe one |
| GFBOP | Golden Flowery Broken Orange Pekoe |
| BPS | Broken Pekoe Souchong |
| GBOP | Golden Broken Orange Pekoe |
| FBOP | Flowery Broken Orange Pekoe |
| BOP | Broken Orange Pekoe |
| Fannings | GOF | Golden Orange fannings |
| FOF | Flowery Orange Fannings |
| BOPF | Broken Orange Pekoe Fannings |
| Dust | OPD | Orthodox Pekoe Dust |
| OCD | Orthodox Churamani Dust |
| BOPD | Broken Orange Pekoe Dust |
| BOPFD | Broken Orange Pekoe fine Dust |
| FD | Fine Dust |
| D-A | Dust A |
| Spl. Dust | Special Dust |
| G. Dust | Golden Dust |
| OD | Orthodox Dust |
| Source: <http://www.deeshaindiatea.com/orthodox-grade.php>  |

 |

Table 8 Extract from the HL/SPO Tea Standards (1. General Requirements and Commitment to Fairtrade):

|  |
| --- |
| **“For tea from the *Camellia* plant from India, the geographical regions are defined as follows:** **‘North India’** refers to teas grown in Assam, West Bengal, Tripura, Bihar, Uttaranchal, Himachal Pradesh, Manipur, Sikkim, Arunachal Pradesh, Nagaland, Meghalaya, Mizoram, Orissa states, with the exception of Darjeeling teas. **‘South India’** refers to teas grown in Kerala, Tamil Nadu and Karnataka states, with the exception of Nilgiri teas. **‘Nilgiri’** refers to teas of that name, grown in the Nilgiris mountains of Kerala and Tamil Nadu at altitudes broadly ranging between 1000-2500m.” |

Table 9 Fairtrade production volumes (kg), Amounts received (USD) and calculated average prices (USD/KG) per production method reported.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Volumes (kg)** | **2014** | **2015** | **2016** | **2017** |
| CTC method | 8,048,693 | 8,307,620 | 8,136,686 | 6,884,838 |
| Fannings and Dust produced using orthodox method | 2,058,778 | 2,355,169 | 3,118,776 | 2,847,676 |
| Orthodox method (except fannings and dust) | 942,843 | 870,343 | 874,098 | 990,913 |
| Tea Instant |  |  |  | 1,850 |
| **Total Volumes** | **11,050,313** | **11,533,132** | **12,129,560** | **10,725,276** |
| **Values (USD)** | **2014** | **2015** | **2016** | **2017** |
| CTC method | 13,582,351 | 14,396,901 | 18,804,254 | 19,002,167 |
| Fannings and Dust produced using orthodox method | 6,451,672 | 7,988,265 | 26,598,209 | 8,187,601 |
| Orthodox method (except fannings and dust) | 6,116,424 | 5,534,476 | 6,037,658 | 6,381,931 |
| Tea Instant |  |  |  | 76,323 |
| **Total values** | **26,150,447** | **27,919,642** | **51,440,120** | **33,648,022** |
| **Values (USD) / Volumes (kg)** | **2014** | **2015** | **2016** | **2017** |
| CTC method |  1.69  | 1.73  | 2.31  | 2.76  |
| Fannings and Dust produced using orthodox method |  3.13  | 3.39  | 8.53  | 2.88  |
| Orthodox method (except fannings and dust) |  6.49  | 6.36  | 6.91  | 6.44  |
| Tea Instant |  |  |  | 41.26  |
| **Total Values (USD) / Total volumes (Kg)** |  **2.37**  | **2.42**  | **4.24**  | **3.14**  |

Table 10 Current FMP and FP for Fairtrade Tea

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Specific Product Standard | Product | Quality | Product characteristics | Country / Region | Scope | Price level | Currency/Unit | Fairtrade Minimum Price | Fairtrade Premium | Date of validity |
| Tea | Tea, Camellia | Organic | **instant tea** processed from made tea from Fairtrade certified producers | worldwide | SPO / HL |   |   | commercial price | 10% of the commercial price | 01/01/2011 |
| Tea | Tea, Camellia | Conventional | **instant tea** processed from made tea from Fairtrade certified producers | worldwide | SPO / HL |   |   | commercial price | 15% of the commercial price | 01/01/2011 |
| Tea | Tea, Camellia | Organic | all teas produced using **orthodox** method (except fannings and dust) | worldwide | SPO / HL |   |   | Commercial price | 1.1 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using **orthodox** method (except fannings and dust) | worldwide | SPO / HL |   |   | Commercial price | 1.1 | 01/11/2010 |
| Tea | Tea, Camellia | Organic | all teas produced using CTC method - Fannings and dust produced using orthodox method | Africa (except Eastern Africa and Malawi) | SPO / HL | FOB/Auction | USD/kg | 1.4 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using CTC method - Fannings and dust produced using orthodox method | Africa (except Eastern Africa and Malawi) | SPO / HL | FOB/Auction | USD/kg | 1.2 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Organic | all teas produced using CTC method - Fannings and dust produced using orthodox method | Asia (except China, India, Sri Lanka) | SPO / HL | FOB/Auction | USD/kg | 1.6 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using CTC method - Fannings and dust produced using orthodox method | Asia (except China, India, Sri Lanka) | SPO / HL | FOB/Auction | USD/kg | 1.4 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Organic | all teas produced using CTC method - Fannings and dust produced using orthodox method | South America | SPO / HL | FOB/Auction | USD/kg | 1.4 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using CTC method - Fannings and dust produced using orthodox method | South America | SPO / HL | FOB/Auction | USD/kg | 1.2 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Organic | all teas produced using CTC method - Fannings and dust produced using orthodox method | Eastern Africa (except Kenya, Uganda, Rwanda and Tanzania) | SPO / HL | FOB | USD/kg | 1.7 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Organic | all teas produced using CTC method - Fannings and dust produced using orthodox method | Eastern Africa (except Kenya, Uganda, Rwanda and Tanzania) | SPO / HL | Auction | USD/kg | 1.6 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using CTC method - Fannings and dust produced using orthodox method | Eastern Africa (except Kenya, Uganda, Rwanda and Tanzania) | SPO / HL | FOB | USD/kg | 1.5 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using CTC method - Fannings and dust produced using orthodox method | Eastern Africa (except Kenya, Uganda, Rwanda and Tanzania) | SPO / HL | Auction | USD/kg | 1.4 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Organic | all teas produced using CTC method - Fannings and dust produced using orthodox method | China | SPO | FOB/Auction | USD/kg | 1.4 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using CTC method - Fannings and dust produced using orthodox method | China | SPO | FOB/Auction | USD/kg | 1.2 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Organic | all teas produced using CTC method - Fannings and dust produced using orthodox method | Kenya | SPO / HL | FOB | USD/kg | 2 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Organic | all teas produced using CTC method - Fannings and dust produced using orthodox method | Kenya | SPO / HL | Auction | USD/kg | 1.9 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using CTC method - Fannings and dust produced using orthodox method | Kenya | SPO / HL | FOB | USD/kg | 1.8 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using CTC method - Fannings and dust produced using orthodox method | Kenya | SPO / HL | Auction | USD/kg | 1.7 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Organic | all teas produced using CTC method - Fannings and dust produced using orthodox method | Malawi | SPO / HL | FOB | USD/kg | 1.6 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Organic | all teas produced using CTC method - Fannings and dust produced using orthodox method | Malawi | SPO / HL | Auction | USD/kg | 1.3 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using CTC method - Fannings and dust produced using orthodox method | Malawi | SPO / HL | FOB | USD/kg | 1.4 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using CTC method - Fannings and dust produced using orthodox method | Malawi | SPO / HL | Auction | USD/kg | 1.1 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Organic | all teas produced using CTC method - Fannings and dust produced using orthodox method | Rwanda | SPO / HL | FOB/Auction | USD/kg | 2.2 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using CTC method - Fannings and dust produced using orthodox method | Rwanda | SPO / HL | FOB/Auction | USD/kg | 2 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Organic | all teas produced using CTC method - Fannings and dust produced using orthodox method | Sri Lanka | SPO / HL | FOB/Auction | USD/kg | 2.6 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using CTC method - Fannings and dust produced using orthodox method | Sri Lanka | SPO / HL | FOB/Auction | USD/kg | 2.4 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Organic | all teas produced using CTC method - Fannings and dust produced using orthodox method | Tanzania | SPO / HL | FOB | USD/kg | 1.8 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Organic | all teas produced using CTC method - Fannings and dust produced using orthodox method | Tanzania | SPO / HL | Auction | USD/kg | 1.7 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using CTC method - Fannings and dust produced using orthodox method | Tanzania | SPO / HL | FOB | USD/kg | 1.6 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using CTC method - Fannings and dust produced using orthodox method | Tanzania | SPO / HL | Auction | USD/kg | 1.5 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Organic | all teas produced using CTC method - Fannings and dust produced using orthodox method | Uganda | SPO / HL | FOB | USD/kg | 2 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Organic | all teas produced using CTC method - Fannings and dust produced using orthodox method | Uganda | SPO / HL | Auction | USD/kg | 1.9 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using CTC method - Fannings and dust produced using orthodox method | Uganda | SPO / HL | FOB | USD/kg | 1.8 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using CTC method - Fannings and dust produced using orthodox method | Uganda | SPO / HL | Auction | USD/kg | 1.7 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Organic | all teas produced using CTC method - Fannings and dust produced using orthodox method | India - Darjeeling | SPO / HL |   |   | Commercial price | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Organic | all teas produced using CTC method - Fannings and dust produced using orthodox method | India - Darjeeling | SPO / HL |   |   | Commercial price | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using CTC method - Fannings and dust produced using orthodox method | India - Darjeeling | SPO / HL |   |   | Commercial price | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using CTC method - Fannings and dust produced using orthodox method | India - Darjeeling | SPO / HL |   |   | Commercial price | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Organic | all teas produced using CTC method - Fannings and dust produced using orthodox method | India - Nilgiri | SPO / HL | FOB/Auction | USD/kg | 2.2 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using CTC method - Fannings and dust produced using orthodox method | India - Nilgiri | SPO / HL | FOB/Auction | USD/kg | 2 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Organic | all teas produced using CTC method - Fannings and dust produced using orthodox method | India - North India | SPO / HL | FOB/Auction | USD/kg | 2.2 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using CTC method - Fannings and dust produced using orthodox method | India - North India | SPO / HL | FOB/Auction | USD/kg | 2 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Organic | all teas produced using CTC method - Fannings and dust produced using orthodox method | India - South India (except Nilgiri) | SPO / HL | FOB/Auction | USD/kg | 1.8 | 0.5 | 01/11/2010 |
| Tea | Tea, Camellia | Conventional | all teas produced using CTC method - Fannings and dust produced using orthodox method | India - South India (except Nilgiri) | SPO / HL | FOB/Auction | USD/kg | 1.6 | 0.5 | 01/11/2010 |

1. *The value of the family size (i,e, family members) and the number of full-time workers (breadwinners) is taken from Living Wage benchmarks (https://www.isealalliance.org/our-work/improving-effectiveness/global-living-wage-coalition)* [↑](#footnote-ref-2)
2. Small company is any company hiring 25 or fewer permanent workers [↑](#footnote-ref-3)
3. To see the tool please follow this [link](https://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/Tea_COSP_2018.xlsx) (or a guidance here: [link](https://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/Guidance_TEA_COSP_2018.pdf)). [↑](#footnote-ref-4)
4. **Orthodox tea** refers to loose-leaf tea that is produced using traditional (or orthodox) methods of tea production, which involve plucking, withering, rolling, oxidation/fermentation and drying. Orthodox grades are: Whole leafs, Broken, Fannings and Dust. [↑](#footnote-ref-5)
5. **Crush, tear, curl** (CTC) is a method of processing black tea in which the leaves are passed through a series of cylindrical rollers with hundreds of sharp teeth that crush, tear, and curl the tea into small, hard pellets. This replaces the final stage of orthodox tea manufacture, in which the leaves are rolled into strips. CTC grades are: Broken, Fannings and Dust. [↑](#footnote-ref-6)
6. Black CTC teas are graded as broken, dusts and fannings. See Table 6 in the Annex 1 for a full detail on black CTC teas. [↑](#footnote-ref-7)