



# **Standards Committee Minutes**

## **Meeting 87: 27-28 November 2019**

### **Physical meeting**

**Present:**

SC members: Martin Boon, Richard Kwarteng, Miguel Mateo Sebastian, Emilie Sarrazin (Chair), Martin Schüller.

Remote participation: Martin de la Harpe, Iresha Sanjeevanie.

Fairtrade International S&P: Alina Amador, Gelkha Buitrago, Yun-Chu Chiu, Kerstin Cron, Oksana Forkutsa, Ricardo Guimaraes, Eleonora Gutwein, Ana Jordan Rosas, Ester Freixa Serra, Maria Steenpass.

Contributing observers: Ronald van den Breevaart (Trader Manager Flowers and plants, FI), Samantha Dormer (GPM Cocoa, FI), Wilbert Flinterman (Sr Advisor Workers rights, FI), John Loughridge (FI CVO), Kelly Hawrylyshyn (Sr Advisor Global Resource Mobilization, FI) Andreas Kratz (Director GPPP, FI), Markus Staub (PM International Cooperation, MH CH), Carla Veldhuyzen (Sr Advisor Sustainable Livelihoods, FI).

Observers: Ute Baoum (ASM, FLOCERT), Monika Berresheim (Manager GPPP, FI), Jos Harmsen (Sr Supply & Development manager, MH NL), Theresa Glammert-Kuhr (Scheme Management, FLOCERT), Sarah Keogh (Certification Analyst, FLOCERT), Harveen Kour (Manager MEL, FI), Naiga Malilo (Certification Analyst, FLOCERT), Juliana Wachtmeister (ASM, FLOCERT), Fabian Waldmeier (International Cooperation, MH CH).

**Disclaimer:**

The Fairtrade International Standards Committee (SC) aims to reach consensus, but decisions may not always reflect the opinions of all people.

The section to introduce the topic (background information) has been written by the Standards & Pricing and may not have been discussed by the SC in full. Sections listing action points are an outcome of discussions of the SC but are not part of the decisions made.

**Item 1 – Opening**

**Agenda:** The agenda was approved and ground rules read.

**Membership changes:**

Richard Kwarteng was welcomed to his first official meeting as representative from Fairtrade Africa. Martin Schüller term as SC member comes to an end with this meeting.

**Declaration of conflict of interests:**

Conflict of interest was identified for one member on the topic of young plant materials. Suggestion to clarify the definition of conflict of interest for next meeting and to harmonize with the OC.

SC members attending remotely indicated to whom would they give their proxy vote in case the communication failed.

**Review of actions from last SC:**

- The ground rules have two elements, decision made by consensus and confidentiality of papers. The former is the same for the SC and the OC. In the latter, for the SC, there is an additional level of confidentiality (“none”). To harmonize them, a change in the ToR would be required. The proposal is to not change the ToR now but acknowledge this difference and add this to the monitoring log.
- O2B update is planned for this meeting and an update on the work of Fairtrade on human rights will be included in a future meeting.
- On living wages on banana, the SC had the opportunity to provide input before the internal consultation was launched.
- The communication of the revised FMP and FP for bananas was issued, as well as the communication on the extension of the timelines for a set of substances in the HML Orange list. The changes for orange juice producers and traders approved in the last SC meeting will be communicated in the next days.
- Updates on migrant labour and young plant material are planned for this meeting.
- An update on the standards under the scope of the accreditation is added in the agenda as AOB.

All other remaining action points have either a stand-alone session or are part of project updates in this meeting.

### **Item 2 – News session**

#### **News from SC**

- First meeting of a new member and last meeting of another member. Two members' term will end next year, re-election is possible. Call for new members will be launched early in 2020. The FI Board endorsed a recommendation to offer a seat in the SC to a labour representative. This will also be explored in 2020.

#### **News from OC:**

- The SC was updated on the topics discussed during the Oversight Committee meeting.

#### **News from FI:**

- An Acting COO has been appointed. The new director of External Relations Unit started last October. MEL is transitioning towards Global Impact and a director was appointed in November.
- SC was updated about the strategy discussions that took place in Washington and how the strategy development process is advancing. The FI Board in particular discussed the recommendations from the WRAC to strengthen the voice of labour in Fairtrade and endorsed to include a seat of a labour representative in the SC.
- SC was informed about the board discussion to introduce a temporary halt for new applicants in tier one products.

#### **News from S&P:**

- There is an ongoing hiring process for a Pricing Project manager and a Head of Standards.

### **Item 3 – Director decisions**

Two decisions were taken by the S&P Director since last SC meeting. First, a clarification on the payment responsibility and the role of importers for orange juice. Second, a the decision on FOB FMP and FP for fresh mangoes following a short consultation with stakeholders.

#### **Item 4 - Cocoa semi-processed products price review**

The project aims to address the challenges in calculating FMP/FP for semi-processed cocoa products. The PM explained the calculation and highlighted the issue of price escalation along the supply chain as one of the main issues in this project.

On the topic of aligning processing yields and mass balance conversion ratios, the following items were clarified:

- Conversion yields mainly depend on efficiencies and form of processing, which are the two main factors for the different conversion ratios. The bean quality is not that critical.
- In some cases, producer organizations wish to use their actual yields for calculating FMP/FP. The calculation framework is provided in the standard.
- Fixing the yields will increase price certainty. Producer organizations have expressed their wish to have more certainty on FP; if the price is not fixed this means more flexibility for price negotiations.
- There were concerns regarding why the organizations are not using the guidance presented in the standard. It was explained that producer organizations are not providing their own yields because the information needs to be presented for a defined period of time, in some cases the capacity or tools to report this information is not in place, and the data may vary considerably. The guidance provided in the standard is considered long and complex and only a small number of producers use it. With the current system, it is highly disadvantaged to purchase Fairtrade semi-processed products, which is mainly done by the ATOs (most committed partners). It was also mentioned that the cocoa market is growing because of FSI and not the ATCB. The commercial partners in the conventional market can do without the complexities in the semi processed category. There is foreseeable competition as well with the new ISO standard for cocoa.
- It has been discussed that in West Africa there is a challenge to increase the market share, with the proposals and eliminating the complexity in the standard, market uptake may improve.
- In the public consultation SPOs changed position regarding fixing the yields, which was preferred unanimously by SPOs during the interviews. It was discussed that fixing the yields still allows flexibility in price, which still deliver on stakeholders' preference.
- It was clarified that all proposals were discussed at length with the project team, including PNs, NFOs and FLOCERT.
- By using the mass balance conversion ratios, SPOs would perceive less FP for liquor and butter. Less sales of powder which would have higher FP.

#### **Decisions**

##### **Decision 1**

SC votes on: A) either fix processing yields to simplify pricing/premium calculations, or B) keep the flexibility for producers to report their actual processing yields.

Note: Fixing processing yields means all values of FMP, FP and Organic differential for semi processed products presented in the documents are the absolute minimum prices, while keeping the flexibility means the values presented in this document are subject to fluctuation should producers wish to apply their actual yields.

The SC voted in favour of the proposal A (5 votes for proposal A and 2 for proposal B)

After the discussion the SC decided to proceed with the voting with the caveat that it will be necessary to have a review after some time. The Pricing Team is tasked to liaise with CLAC to explain the outcomes of



the discussion and to report to the SC if any unintended consequences arise. The next revision is set tentatively in 2021 or earlier.

#### **Decision 2**

To provide a FMP value at EXW for conventional liquor at 2688 USD/MT and to follow market pricing for conventional butter and powder.

The SC voted in favour of the proposal (6 in favour and 1 abstention)

#### **Decision 3**

To provide a FP value for liquor of 300 USD/MT.

The SC unanimously voted in favour of the proposal

#### **Decision 4**

To replace the current FP calculation methodology for butter and powder and apply a risk sharing model (to provide a FP value for butter at 479 USD/MT and for powder at 425 USD/MT).

The consultation results showed preference for the risk sharing option. Price values were adjusted for SC's decision due to change of conversion ratios.

The SC unanimously voted in favour of the proposal

#### **Decision 5**

To provide an organic differential value for liquor, butter and powder of 375 USD/MT.

In Cote d'Ivoire there is a different view on this topic. It was clarified that organic is not relevant to West Africa because they do not produce organic.

The SC unanimously voted in favour of the proposal

#### **Decision 6**

Changes to Fairtrade cocoa pricing for semi-processed products sold by SPOs will become mandatory for all regions as of 1st February 2020.

The SC unanimously voted in favour of the proposal

#### **Decision 7**

To approve the delegation of non-substantive changes to the Director of Standard & Pricing.

The SC unanimously voted in favour of the proposal

**Next steps:** Publication of announcement in December 2019.

### **Item 5 - Tea Standards and Pricing review**

The PM gave an overview on the recently carried out consultation on tea standards and price review. The first round was carried out in July 2019, the second round is planned for early 2020. The SC decision is foreseen for June 2020 with the publication in Q3 2020.

The participation in the online survey was less than in workshops, but it contributed to give a good overview of the different opinions in the system. The overall participation in the first round of consultation was satisfactory, i.e. representing 70% of all tea certified producer organizations.

**Highlights first consultation round:**

**1) Standards:**

- Divergence of views to introduce floor wages concept, especially in Northern India. The draft proposal from S&P is to link the wage proposal to national benchmarks instead of international poverty lines. SC recommends that this level of wages is interpreted as the new minimum wage in the standard.
- Fairtrade Premium: An exception for Darjeeling was introduced in the standard to allow that a part of Fairtrade Premium can be directly used by management for infrastructure projects (e.g. housing). The feedback from 1<sup>st</sup> round consultation showed divided opinions between different stakeholders, but overall majority agreed to ensure consistency in rules on Fairtrade Premium use among all producer organizations. SC recommends that this exception is deleted for the 2<sup>nd</sup> round of consultation

**2) Pricing:** Based on results of the 1<sup>st</sup> round of consultation, proposals to adjust the pricing model/structure (e.g. classification of products) for Fairtrade Tea were presented and the preliminary proposals to update the FMP and FP values were shared with SC for guidance. The second round of consultation will focus on updating the values for the FMP and FP for tea products.

The SC recommended that the proposals on Premium values (pricing review) and use of Premium (standard review) should be connected. Premium should go to workers, money to management should be included in the price (cost of production). These two concepts should not be mixed. Additionally, the SC highlighted that feedback from the market is that 50cent per kilo is quite excessive for developing sales, quite high in comparison to the total price of the kilo.

**Item 6 - Update on north to north & south to south trade**

SC Chair introduced the background and explained the relevancy as well as potential impact of this topic to the SC. FI CVO presented general Fairtrade pricing model, including FMP, FP and its association with sales volumes and highlighted Fairtrade's promise to commercial partners. Countries were grouped according to the level of the Fairtrade awareness and it was explained that the willingness of purchasing Fairtrade within a country has a direct impact on the licensee fee. The framework of Fairlocal was presented to the SC and common work areas within Fairtrade system were also identified. The CVO and the SC exchanged opinions on the impact of standards and pricing's work when implementing such initiative. The competitive landscape in the North, taken France as an example, was presented to the SC. Fairtrade's current position and possible future direction of travel were discussed amongst the SC members. The CVO clarified the definition of "local" and equivalent organizational set up in North as opposed to SPOs in South. The concept, scope of the pilot project carried out by MHF were presented and some queries from the SC were also clarified, such as governance in a broader perspective, licensing and branding, SC's role, applicable products and standard/certification related topics, etc.

The CVO then presented south to south model, with the ambition to explore emerging markets. Defining FMP/FP for markets in South, southern label, localization of standard and oversight were discussed



amongst the SC members and the CVO. The SC welcomed innovation from the system and requested a SWAP analysis in order to gain in-depth understanding of the subject.

#### **Item 7 - Living wages concepts**

The Senior Advisor on Workers' Rights explained the three main layers of wage protection in the Fairtrade Standards for workers in hired labour set-ups. 1) protection against starvation wages, making sure that workers can at least purchase adequate food for themselves and their families; 2) protection against violation of the fundamental right to organize and bargain, being essential rights to support and sustain wage improvement and; 3) protection against a lack of commitment on the part of employers to afford workers a Living Wage. The current proposal in bananas to introduce a Fairtrade Base Wage as a percentage of the Living Wage Benchmark is a complementary measure to the requirement 3.5.4 in the HL Standard.

Setting wage requirements in Standards means that Fairtrade involves itself in the process of wage determination which is traditionally the domain of employers and trade unions. In order to avoid causing unintended negative impact on trade union rights, it is crucial that Fairtrade invests more resources in the consultation with organized labour.

**Next steps:** SC to be updated on the progress and timelines of LW program in June 2020.

#### **Item 8 – Living wage in hired labour focus on banana plantation**

The S&P Director presented the timelines of the project and explained the purpose and stakeholder's involvement during the internal consultation. The three elements being consulted were explained in detail to the SC: A Fairtrade Base Wage, use of Fairtrade Premium to close the living wage gap and an annual data report.

A set of questions was posed during the presentation and explained by S&P Director, including establishment of base wage in relation to living wage, exclusion of in-kind benefits in the wage calculation, equal percentage of Fairtrade base wage applicable for all origins and postponing of price discussion on to banana price review in 2020.

The SC and S&P Director discussed on the progress and commitment of other actors on living wages. For some countries, specific issues related to country wage levels and migrant were highlighted. The SC raised the concern on using FP to supplement income for workers. It was explained that this is seen as an interim measure. It was concluded that engagement of NFOs and retailers to wage improvement also plays a crucial role in this process.

#### **Item 9 - Fairtrade Cents pilot for young plants**

The developments of the proposed pilot initiative to achieve living wages in the young plants sector were presented to SC. The SC is requested to decide which Premium rate shall apply for young plants as from 1 December 2019.

#### **Decisions**

##### **Decision 1**

The SC was presented four options with pros/cons (for details on the options please refer to the paper). The option recommended by S&P, GPPP and the lead NFO is that Premium payers that commit to the proposed sector wide pilot as outlined in March 2019, pay the previous Fairtrade Premium of 10% of the commercial



price and that Premium payers who will not participate in the proposed young plant initiative on living wages will be required to pay a Fairtrade Premium of 0.01 Euros per unit as of 1st December 2020.

The SC unanimously voted in favour of the proposal

#### **Decision 2**

To delegate the implementation of the decision and the announcement to the young plant sector to the Director of S&P

The SC unanimously voted in favour of the proposal

#### **Decision 3**

To delegate to the director S&P the judgment call whether the proposed pilot shows progress or doesn't show sufficient progress anymore.

The SC unanimously voted in favour of the proposal

**Next steps:** Include in project updates to the SC, latest in a year.

#### **Item 10 - Coffee Standard Review**

SC was updated on progress and timelines of the review of the Fairtrade Standard for coffee. The PM explained that the first consultation round is on-going so far with a positive response, all results are being collected and will be analysed in January 2020. The SC decision on this topic is planned for March 2020, but if the first round consultation results indicate the need to have a second consultation round, then SC decision would be put forward for June 2020.

The PM presented the consultation topics, which include; 1) entry requirements for SPOs, 2) Fairtrade contracts, 3) Fairtrade price and premium, 4) Sharing risks and quality claims and 5) unfair trading practices. SC comment and made suggestions and recommendations on the presented topics.

The SC provided guidance on selected topics.

**Next steps:** Depending on the results of the first round of consultation, the review of the Fairtrade Standard for coffee will be presented at the SC meeting March 2020, either for decision or for information/guidance for the second consultation round.

#### **Item 11 - SPO indicators**

The PM updated the SC about the SPO definition that was introduced in the last SPO review. The SPO definition was revised to put more focus on family farming and to exclude large farms, as these can be a reputational risk for the Fairtrade system because:

- Influence of bigger members should be limited to avoid unfair competition among and within SPOs
- Less protection for workers in the SPO standard (the bigger the land, the more likely there will be higher number of workers),
- There are no rules for sharing the premium with workers (workers do not necessarily benefit)
- Plantations can enter the system even if there is a decision not to work with hired labour set ups

Additional work has taken place to sharpen this definition as part of the implementation of the SPO Standard, including:

- Defining a set of additional criteria for highly labour intensive products
- Investigate the impact for existing organizations and confirm/adjust indicators and the maximum land size
- Develop standard interpretations (membership criteria in Mauritius, the Meeiro policy for Brazil, on organizations of wild gatherers)
- Explore a reduction on the maximum land size for coffee, cocoa and tea (max land size applies only for area of certified crop)

Based on discussions in June 2019, the SC recommended to look into more data, but the PM explained the limitations on data collection and also that the discussions have a political dimension.

The PM provided an overview of the work, explaining the process and the analysis of data to understand which organizations would have issues on indicators. In addition, support from PN was requested to understand what potential solutions could be developed to support these organizations.

The results of this work revealed the following:

- Very limited impact of the individual SPO indicators for highly labour intensive products and the maximum land size in Asia (fruits, vegetables, sugar, tea).
- Some impact in Africa, where organizations in Burkina Faso and Senegal tend to have bigger land sizes (fruit producers).
- Number of impacted organizations in Latin America, where members may have land size which is more than 30 ha. (fruits producers in Costa Rica, Brazil and Dominican Republic; sugar producers in Paraguay and Cuba). Also it was noted that land size tends to be bigger in organic production.

The SC asked about the options and consequences for organizations that have issues with members of larger land size. GPM sugar mentioned that for the case of producers in Fiji and Belize, it would not be possible to add for example members with smaller land sizes as there are no more small-scale farmers remaining without certification and recommended an exception for those cases. Also, the SC noted that there may be a need to develop different indicators for organic producers, because larger land sizes may be needed due to lower yields. This would also serve as an incentive to promote organic production.

### **SC decisions on individual SPO land size indicators for tea, vegetables, sugar and fruits**

#### **Decision 1**

SC agrees to confirm the individual SPO land size indicator of 5ha for Fairtrade certified vegetables, for all organizations, certified before and after 1 July 2019.

The SC unanimously voted in favour of the proposal

#### **Decision 2**

SC agrees to confirm the individual SPO land size indicator of 5ha for Fairtrade certified tea, for all organizations, certified before and after 1 July 2019.

The SC unanimously voted in favour of the proposal

#### **Decision 3**

SC agrees to confirm the individual SPO land size indicator of 10ha for Fairtrade certified sugar, for all organizations, certified before and after 1 July 2019, except Fiji.

For Fiji the decision will be made in March 2020. The SC suggested to further study the case of this country and look into potential exceptions. Given their history there is limited room to adapt to the indicators, all members are already Fairtrade certified and it is not possible to add more producers. Moreover, S&P is asked to revise the rule on share of volumes sold as Fairtrade from small-scale producers (requirement 1.2.3).

The SC unanimously voted in favour of the proposal

#### **Decision 4**

SC agrees that the rule for the shared of on volume that has to come from small-scale producers is re-discussed in March 2020

The SC unanimously voted in favour of the proposal

#### **Decision 5**

SC agrees to increase the individual SPO land size indicator from 5ha to 10 ha for Fairtrade certified fruits, for all organizations, certified before and after 1 July 2019.

The SC unanimously voted in favour of the proposal

#### **SC decisions on individual SPO land size indicator for Brazil**

The existing indicator for Brazil for citrus and avocados is set at 4 fiscal units. Depending on the region in Brazil, this can be up to 4 times 100 ha, i.e. 400ha, while the region where oranges are grown, the fiscal unit can vary from 7 ha to a maximum of 40 ha, with a predominance of municipalities with 18 ha. The figures are not in line with other indicators for Fairtrade products and do not match the global maximum land size of 30 ha for all members. The research on producer data showed that an indicator to define an individual small-scale producer for citrus and avocados in Brazil should be higher than 5ha or even 10ha and the maximum land size needs to be increased.

S&P proposal to the SC:

- To leave the 4 fiscal unit as indicator with a maximum land size of 200ha
- To leave the indicator of 2 permanent workers per farm to further limit the land size where needed
- To extend the individual SPO indicator for Brazil and the maximum land size of 200ha to other Fairtrade fruits in Brazil

#### **Decision 6**

The SC agrees to set the individual SPO land size indicator from Brazil at 4 fiscal units

- a) Citrus
- b) Avocados

For citrus: The SC unanimously voted in favour of the proposal

For avocados: The SC voted in favour of the proposal (5 votes in favour, 1 against and 1 abstained)

#### **Decision 7**

The SC agrees to set the maximum land size for citrus and avocados from Brazil to 200ha

- a) Citrus
- b) Avocados

For citrus: The SC unanimously voted in favour of the proposal

For avocados: The SC voted in favour of the proposal (5 votes in favour, 1 against and 1 abstained)

### **Decision 8**

The SC agrees to leave the indicator of 2 permanent workers per farm to further limit the land size where needed

- a) Citrus
- b) Avocados

For citrus: The SC unanimously voted in favour of the proposal

For avocados: The SC voted in favour of the proposal (5 votes in favour and 2 abstained)

The SC decided to postpone the decision on extension of individual SPO indicator for Brazil and the maximum land size of 200 ha to other Fairtrade fruits in Brazil to the meeting in March, 2020.

### **SC decisions on exceptions on the maximum land size for wine grapes and oranges/ orange juice**

Currently exceptions for oranges and wine grapes are possible during application. The recommendation is to limit the land size of exceptions and the percentage of members to whom exceptions can be applied, i.e.:

- to introduce a ceiling of 100ha for exceptions and to allow only 15% of the members as exceptions, for Argentina, maximum land size of 100ha would be sufficient

This issue came from Argentina, but the exception scope is for all countries (wine grapes). Oranges are taken out of the exception as the SPO indicator for Brazil that was decided solves this issue.

### **Decision 9**

SC agrees to a ceiling of 100ha for exceptions for wine grapes and to allow only 15% of the members eligible for this exception.

The SC voted in favour of the proposal (6 votes in favour and 1 abstained)

### **SC decisions on maximum land size in Mauritius**

The maximum land size of 30ha was deemed not sufficient by producers in Mauritius, because small plots are not economically viable and there is high demand for Fairtrade sugar from Mauritius. The same interest came from Belize and other countries, however there was not enough data provided.

The PM asked for a recommendation from SC, if other countries should be included in the decision. The SC requested to have an overview of countries'/products/volumes and criteria for exceptions and to

postponed the decision to increase the maximum land size for sugar producers in Mauritius to 75ha, to the SC meeting in March 2020.

### **SC decisions on exception on maximum land size in Belize and Paraguay**

Maximum land size of 30ha was deemed not sufficient by producers in Belize and Paraguay

- Producers increased their production
- Premium important for the sustainability of sugar production
- Bigger members important for the sustainability of SPOs

Stakeholders from these countries expressed the wish not to have any limit and introducing a limit of 200 ha in the indicators,

The SC was asked to consider the following questions:

- Do you agree to lift the maximum land size for sugar producers in Belize and Paraguay without conditions?
- Would you agree to have a higher limit for the maximum land size of 200ha, or 100ha?
- Would you agree that producers in Belize and Paraguay have to apply for exceptions?

The SC expressed different views on this topic, for example an SC member made a remark that perhaps such cases should not be allowed under the scope of small scale producer and instead, the HL scope should be expanded to include sugar producers. While other SC members mentioned that exceptions should indeed be considered, to respond to the cases of marginalized producers. However, measuring to what extent producers are marginalized was acknowledge as a challenge.

### **Decision 10**

SC agrees to open the possibility for exceptions on maximum land size upon request for sugar (with a ceiling and a percentage for members), and come back to the SC with criteria for granting exceptions in March 2020.

The SC voted in favour of the proposal (6 votes in favour and 1 against)

### **SC decision on additional criteria alongside the indicators**

In the revised SPO Standard additional criteria to define small-scale farmers for the highly labour intensive products were deleted. Currently, in the standard the statement is now for farmers to work alongside and this is not explicit enough. The idea is to be more clear that the intention is to exclude absentee farmers.

### **Decision 11**

SC agrees to include in the SPO Standard requirement 1.2.1 that for members of highly labour intensive products the farm is operated /managed by members and their families and members work also on their fields and to delegate the final wording to the S&P Director.

The SC unanimously voted in favour of the proposal.

### **SC decision on interpretation for membership criteria in Mauritius**

It has been reported that in Mauritius members manage and own the land but do not necessarily work on the land, not only because of age/incapability or absence but also because economic benefits from sugar production are not enough.

The SC requested to have more information / data for the SC meeting in March 2020 to support the decision to issue an interpretation to allow members to pursue other economic activities besides sugar farming if their plots are too small to make a living.

### **SC decisions on Meeiro policy Brazil ( shared cropping)**

There is a so-called Meeiro policy that is applicable in Brazil (mostly coffee), a member of an SPO can give land to a meeiro who then cultivates the land and in return has to give 50% of the production to the land owner. Meeiros could be considered permanent workers and the member as land owner would not be considered small. If they are not considered workers, the land owner could have up to 30has of land and could still be a small-scale producer of the organization.

S&P clarified that a decisive point should be if a meeiro is a member of organization or not. As long as *meeiros* are also considered as members, they are not considered workers. In this case, each individual land size counts for each member. If meeiros are not members, they are workers of the owner of the land and they are not considered a small-scale producer anymore. In this case, non-member business is a risk.

S&P suggested to add this to the monitoring log for further analysis, to check if this might need to be extended to other origins.

### **Decision 12**

SC agrees to issue an interpretation for meeiros in Brazil saying that all meeiros that are also members of the organizations are considered as individual members. All meeiros that are not members of the organization are considered permanent workers of the land owner, and therefore the land owner is not considered a small-scale producer. In case meeiros are not members, the organization has to ensure the traceability of Fairtrade products, in order to minimize the risk of non-member sales.

The SC unanimously voted in favour of the proposal

### **Decision 13**

SC agrees to not include a standard requirement that all meeiros have to be members of the organization at this point in time but to leave this for consideration in a next standard review.

The SC unanimously voted in favour of the proposal

### **SC decision on interpretation of the SPO definition for wild gatherers**

The current Fairtrade small-scale producer Standard includes organizations of wild gatherers but agricultural criteria for land size does not really apply to this group, as the members of wild gatherer organizations are not agricultural land owners in the traditional sense and often the land that they gather from is not owned by the members.

An SC member made a remark that often the gatherers have to get a permission to enter the forest/area for collection and that they have to comply with a national law. The history of this requirement sits with the rationale to allow farmers to do other activities under Fairtrade, when they don't have inputs from farming. S&P clarified that one key element for this group to fall under the scope of SPO definition, is that they should be the ones working on their own account, not hiring any worker and also are not hired to do this.

#### **Decision 14**

SC agrees to issue an interpretation that, as wild gatherers often gather produce on land that is not owned by themselves, farming criteria of the SPO definition and the maximum land size of 30ha does not apply for them.

The SC unanimously voted in favour of the proposal

#### **SC decisions on maximum land size for coffee, cocoa and tea**

Producer networks brought to S&P's attention that a maximum land size of 30 ha, for cocoa, tea and coffee may put producers in Africa and Asia in a disadvantaged position to compete with producers from Latin America, where land sizes on average are higher. Research showed the following:

- While the maximum land size could be lowered to 20ha in Asia and Africa with a limited number of farms being affected, this step would have a larger impact on certified SPOs in Latin America.
- In some countries, the introduction of a 30ha limit already has an impact on some members, lowering the absolute maximum land size would increase this impact and has major implications for the membership structure of SPOs in some countries in Latin America.
- In tea, there are currently no certified organizations in Latin America, so the effect of lowering the maximum land size to 20ha in this region is unknown for future applicants.

#### **Decision 15 – SC guidance**

SC was asked for guidance on how to further elaborate on this option and what kind of information is needed in order to take a decision.

SC members recommended that before bringing the topic for decision in March 2020, S&P should coordinate an exchange between PNs to have the feedback of members with proposals from the 3 PNs (FTA, NAPP, CLAC).

#### **Next steps:**

- To publish the individual SPO indicators, exceptions on maximum land size, additional criteria alongside with indicators and interpretations as decided by the SC.
- To monitor further challenges with the SPO definition and decide on further amendments.
- To further sharpen the definition by reflecting on:
  - A general possibility for exceptions on the maximum land size (e.g. one case with producers of soybeans in Brazil, where also a higher maximum land size is requested)
  - A general rule on sharecropping (see Meeiro policy in Brazil) to check if this might need to be extended to other origins.
  - A general rule for situations where farming does not provide sufficient income (see interpretation for Mauritius).

- The need for a medium-sized Fairtrade producer standard (e.g. modular approach), e.g. when a larger member is certified against HL.
- The need to extend the Fairtrade sugar Standard for producers with larger farm sizes.

### **Item 12 - Living Income Reference Price**

The SC is informed about the development of a standardized methodology to establish Living Income Reference Prices, in line with the conceptual framework of Fairtrade's Living Income Strategy. This includes: define a model and key variables to be considered for calculating Living Income Reference Prices, methodology design for required data collection for each variable, test methodologies on specific product categories and regions (case studies), define procedures for consultation and decision making related to the establishment of Living Income Reference Prices and develop implementation guidelines for the Pricing Team.

A Living Income Reference Price indicates the price needed for an average farmer household with a viable farm size and an adequate productivity level to make a living income from the sales of their crop. Key parameters are: cost of a decent standard of living (Living Income benchmark), sustainable yields (productivity benchmark), viable farm size (to fully employ the available household labour) and cost of sustainable production (in order to achieve mentioned yields).

The model was firstly tested in cocoa and the results published together with the FMP announcement in December 2018. The FLIRP values published were later revised to include adjustments.

Another case study was on vanilla where a Living Income Reference Price for vanilla from Madagascar and Uganda was requested by the Sustainable Vanilla Initiative (SVI) and funded by a commercial partner. The final report showed that diversification was important for producers, but vanilla was still the main income generator. The other crops do not generate the same amount of income. The studied was published in November 2019 in Fairtrade website.

In the pipeline is the implementation of farm records for baseline analysis coffee and definition of benchmark values for Living Income Reference Prices (2019/20) and a request for establishment of Living Income Reference Price for tea from Rwanda by GIZ / Ethical Tea Partnership (2020), to be confirmed.

**Next steps:** SC to continue to be updated on this topic.

### **Item 13 - Gold**

The intention of this session was to give an overview on the gold sector and its challenges for the SC to have background knowledge when providing guidance or decisions taking place on a later stage of the project

The presentation introduced and explained the following points:

- Fresh gold production / sector
- Characteristics of gold as product
- Social / environmental challenges
- Technical & traceability challenges
- Key challenge for access to market

#### **Item 14 - Gold consultation**

This session presented the main highlights/outcomes of the 1<sup>st</sup> consultation on Gold Standard Review project. The PM reminded the aims of the project, which are to review the standard and try to align it to the market needs and producer realities. PM also explained that the initial project plan was to have one round of consultation, but, at this point, there will be a second one to add more technical concepts and concrete proposals to the stakeholders.

The PM introduced some of the topics consulted:

1. **Definition of ASMOs:** stakeholders were asked if they would allow enlarging the scope of the Gold Standard to allow individual operators (not organizations) to become Fairtrade certified and, if so, which requirements should be applied to them to become Fairtrade certified.
2. **Artisanal Mining formalization and initial certification:** this question related to the distinction between Small Scale and Artisanal, and ask stakeholders whether this distinction should be added to the Standard.
3. **Mining workers:** This topic asked to stakeholders whether the requirements for workers should be stricter to organization with larger number of workers than those with less workers.
4. **Medium- and large-scale mining:** should Fairtrade explicitly exclude medium- and large-scale mining business from the scope of the gold standard.

**Next steps:** Responses of first consultation round will soon be published on FI website. The second consultation round is planned to take place during the first quarter of 2020.

#### **Item 15 - O2B**

The Senior Advisor Global Resource Mobilization introduced Fairtrade's current Offer to Business (O2B), consisting of ATCB/ FSI; Complementary Services; Programmes; and Supply Chain & Impact Services. The Global Resource Mobilization Unit is involved in agreeing ways of working, and planning and implementing O2B projects. A dashboard had been installed displaying all projects which exist; since 2015 a total of 27 projects have been conducted. The presenter also introduced a traffic light system and decision tree model with principles to offer business to invest in programmes. One principle which needs to be fulfilled is that any initiative should be PN led but taking into account the interests of business partners.

The presenter explained that environmental projects could be found on the dashboard by tag. She further explained that there are both SPO and HL projects with focus on Human Rights Due Diligence. The SC asked for a manual to address O2B with commercial partners and also requested an update on the complementary services and supply chain and impact services. The Senior Advisor explained that there should be clarity and details on this work stream of O2B once the new strategy would have been agreed. The SC would also like to check this topic with FLOCERT to understand better some of the projects they are working on.

#### **Item 16- Input Fairtrade Strategy**

SC members reflected on their scope of contribution to the development of the Fairtrade Strategy 2020 and discussed topics that fall directly into the SC's mandate or that could have a direct impact on the SC work going forward. Some of the topics discussed include: management of the diversity of products, Fairtrade Minimum Price, management of pilots in Fairtrade value chains and alignment on political decisions.

**Next steps:** SC Chair to share informally with FI Board Chair and report back to SC in March 2020.

**Item 17- AOB**

- Regarding the outstanding question from last SC meeting in September, about which standards are under FLOCERT's accreditation and why, FLOCERT's Scheme Manager explained that before submitting a standard for accreditation a critical mass of clients is needed. This is the reason why certain Fairtrade Standards are not yet under the accreditation scope. SC members and S&P Director recognized the need to have guidelines on when it is necessary and worth it for FLOCERT to submit a standard for accreditation and agreed that this topic should fall under the scope of the OC.
- A SC member expressed concern about two chemicals from the HML that are currently in the Orange List and suggested to move them to the Red List. The responsible person for the HML will be the contact to follow up and do the required amendments, as needed.

**Next meeting date**

- The proposed dates are the 25<sup>th</sup> and 26<sup>th</sup> March 2020. Depending on the agenda, it may be needed to have at least a one-day physical meeting, to which at least two SC members would join remotely.

The meeting was formally closed.