



# **Standards Committee**

## **Minutes**

### **Meeting 85: 27 June 2019**

#### **Teleconference meeting**

**Present:**

SC members: Martin Boon, Doreen Chanje, Miguel Mateo Sebastián, Iresha Sanjeewanie, Martin Schüller (Chair).

Apologies: Martin de la Harpe and Emilie Sarrazin.

Fairtrade International S&P: Gelkha Buitrago, Yun-Chu Chiu, Ricardo Guimaraes, Ana Jordan Rosas, Maria Steenpass, Jebet Yegon.

Observers: Monika Berresheim (GPPP Manager, FI), Guzal Matniyazova (Project Manager, FI)

**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.

**Declaration of conflict of interest:** No conflicts of interest were declared.

**Proxy vote:** The SC was informed that Martin de la Harpe gave his proxy to Doreen Chanjee and Emilie Sarrazin to Martin Schüller.

**Review action points from last SC:** action points will be addressed during the next SC meeting in September.

**Item 2 - News session****News from S&P:**

Regarding the phase-out of the FLOCERT policy for migrant workers in Dominican Republic, CLAC as well as other banana actors, requested Fairtrade International to suspend the implementation of the standards requirements related to the regularization of migrant workers. The FI CEO was invited to the region to meet with different stakeholders and legal authorities to better understand the situation and explore potential solutions. The FI Board will provide guidance on how to proceed with this matter as there are legal, commercial and reputational elements involved that go beyond the remit of S&P and the SC.

**Item 3 - Orange Juice Price Review**

The Head of Pricing presented the final results of the orange juice consultation and proposals for SC decision. The SC was also updated on the evolution of the volumes and prices of Fairtrade orange juice. The overview of the consultation results covered the following topics: the current model for orange juice, an increase of the FMP for conventional Frozen Concentrate Orange Juice (FCOJ), the categories set

pertaining to the processing / exporting techniques, percentage distribution and proposed changes to the current model, increase in FP, price model for Not from Concentrate Orange Juice (NFC), oranges for juice for processing in consumer countries, introduction of secondary products, currency and validity date. The analysis on the stakeholder's responses, countries and highlight of the qualitative inputs were presented. The Head of Pricing also mentioned the view of the traders and producers individually in each of the topics presented.

**Decision 1:**

Maintaining the current price model worldwide for orange juice, while 1) increasing the percentages to be paid for oranges for juice for all categories (depending on the processing / exporting technique used), the increase is adding 3% on top of current values, 2) increasing the FP for FCOJ in 50 USD / MT and 3) maintaining the current values for the FMP for FCOJ.

The SC expressed that based on the responses from producers and traders an increase in the FMP could be counterproductive due to the existing gap between the current market price and the FMP. The SC also mentioned the importance of the FP contribution towards producers' income as well as challenges due to climate change.

- Decision A: maintaining the current model worldwide for orange juice. The SC unanimously agreed.
- Decision B: keeping the FMP for conventional and organic. The SC unanimously agreed.
- Decision C: increasing the percentages to be paid for oranges for juice depending on the processing / exporting technique used by adding 3% on top of current values for all categories as presented in the paper. The SC unanimously agreed.
- Decision D: increasing the FP for FCOJ in 50 USD / MT. The SC voted in favour of the proposal (6 in favour, 1 against).

**Decision 2:**

To keep / not change the price model for NFC as well as the FMP values and the percentages paid to the producer organizations segregated based on a conventional and organic market.  
The SC unanimously agreed.

**Decision 3:**

Not to change the FMP and FP for oranges for juice to be processed in consumer countries. As per the consultation, the majority of stakeholders were in agreement to maintain the current FMP and FP.  
The SC unanimously agreed.

**Decision 4:**

The SC decided to integrate the orange juice secondary products in the scope of certification of processors. The intention is to enable producer organizations to benefit from the secondary products of the orange juice production. The Head of Pricing explained that processors are acting as conveyors in majority of the cases. Processors may sell secondary products as Fairtrade products and convey the FP to the producer organization, which ultimately will benefit the producers.

The decision refers to all products related to orange juice at processors' level, any orange by product could be included if requested.

The SC unanimously agreed.

**Decision 5:**

The SC decided on the inclusion of orange juice fruit cells in the secondary product list. The SC exchanged the opinions on the potential secondary products. It was clarified that two other secondary products are already in the list, which are essential oil and peel at producer level.  
The SC unanimously agreed.

**Decision 6:**

The SC decided on a 10% FP for secondary products. It was clarified that FP is calculated as 10% of the commercial price.  
The SC unanimously agreed.

**Decision 7:**

The SC decided on maintaining the currency as currently in USD / MT.  
The SC unanimously agreed.

**Decision 8:**

The SC decided on the validity date of the changes approved to start as of July 1<sup>st</sup> 2019 and delegate any further implementation decisions of the validity date to the S&P director. The S&P director clarified that this would be in case potential unfair trading practices are identified as a results of the date of implementation.  
The SC unanimously agreed.

The next steps were presented to the SC, including implementation and publication. The transparency in the supply chains and trading integrity will be a topic to follow up. The SC also suggested that some topics could also be addressed and explored further in the next Trader Standard review. In a future price review S&P could also consider the possibility of setting different FMP and FP for different supply chains, such as vertically integrated supply chains versus non-integrated chains.

**Item 4 - SPO Definition**

**Introduction**

The presenter did a recap of the changes in the SPO decision that was taken in November 2018 which defines a small-scale producer organization as an organization in which 2/3 (66%) of its members are small-scale farmers. For labour intensive products, Fairtrade International uses indicators that specify the land size to define what a small-scale farmer is. In order to sharpen the definition of small-scale producers for sugar, fruits, vegetable, tea, coffee and cocoa, S&P commissioned 3 studies to collect producer data about member land size. However due to concerns on data quality a decision was made to change the approach and hold a round of validation with the PNs. Therefore, the changes discussed will only affect new producers joining the system after July 1<sup>st</sup> 2019.

**Decisions**

The SC is requested to decide on indicators per product for new organizations certified after 1<sup>st</sup> July 2019, and confirm the maximum land size of 30 hectares (ha) for sugar, fruits, tea and vegetables as well as to

provide guidance on the way forward for deviations from the general indicators. In addition, the SC is requested to provide guidance on the way forward for the maximum land size for coffee, cocoa and tea.

**Sugar:**

For sugar, a 10 ha land size to define a small-scale individual producer and a maximum land size of 30 ha fit the majority of the origins.

**Decision 1:**

For organizations certified after 1<sup>st</sup> July 2019, do you agree to define the land size of an individual small-scale producer for sugar cane to 10 ha and to confirm 30 ha as the maximum land size for all members?

A concern was raised by the SC as several farmers are below the 10 ha. A suggestion was made to wait for improved data in order to make a decision, but S&P mentioned that FLOCERT would need an indicator for new organizations joining the system and therefore it will be important to have a decision. It was also agreed that there is a need to monitor new certified organisations especially in Cuba.

The SC voted in favour of the proposal (6 in favour, 1 against).

**Fruits:**

The data analysis for fruits show that in general, an indicator to define an individual small-scale producer can be set at 5 ha.

**Decision 2**

For organizations certified after 1<sup>st</sup> July 2019, do you agree to define the land size of an individual small-scale producer for fruits to 5 ha and to confirm 30 ha as the maximum land size for all members?

One SC member mentioned that there was need for more data in order to make a decision.

The SC voted in favour of the proposal (4 in favour, 2 against, 1 abstention).

**Vegetables:**

The data analysis for vegetables shows that in general, an indicator to define a small-scale producer can be set at 5 ha. The land size for vegetable producers tend to be quite small in all the countries with only one deviation in Mexico that showed a maximum ha of 10 ha.

**Decision 3**

For organizations certified after 1<sup>st</sup> July 2019, do you agree to define the land size of an individual small-scale producer for vegetables to 5 ha and to confirm 30 ha as the maximum land size for all members?

The SC voted in favour of the proposal (4 in favour, 2 against and 1 abstention).

**Tea:**

Fairtrade tea small-scale producers are currently located mostly in Asia and Africa. The data analysis shows that in general, an indicator to define a small-scale producer for tea can be set at 5 ha. An evaluation will be done to check whether this indicator will be needed at all.

**Decision 4**

For organizations certified after 1<sup>st</sup> July 2019, do you agree to define the land size of an individual small-scale producer for tea to 5 ha?

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

SC guidance on way forward:

S&P proposes a process of direct consultation with producers together with PNs, to see what the impact is for existing producers and what are possible solutions. An SC member mentioned the difference in the 3

continents and that S&P needs to pay attention to this. The SC also added the importance of monitoring the deviation among the new certified operators. Additionally, it was also highlighted that it will be important to have more data and to have more consultations to support the decisions.

On the maximum land size, S&P does not recommend setting the maximum land size for coffee, cocoa and tea at 20 ha because of the impact this would have on certified organizations. An SC member raised that the global indicators are already creating unfair competition.

#### **Decision 5**

Does the SC agree to further explore the option to lower the global maximum land size to 20 ha for coffee, cocoa and tea?

The SC were in favor of exploring this further and having an in depth conversation with PNs. A suggestion was made to consider extending the scope of sugar to HL companies.

The SC unanimously voted in favour of the proposal.

#### **Next steps:**

- S&P will update the table on indicators for individual small-scale producers according to the decisions by the SC
- S&P will engage in a process of data validation and consultation with affected producer groups in collaboration with PNs
- S&P will come back to the SC with recommendations on how to proceed with existing organizations in the next SC meeting in September/November 2019

#### **Item 5 - AOB**

No AOB.

The meeting was officially closed.