



Interpretation Notes Fairtrade Standard for Cocoa

Version 01.04.2017_v1.2

Date	15 September 2021				
Reference	Cocoa Standard				
Affected standard requirement(s)	<p>4.2.4 Distribution of the price differential in Ghana and Côte d'Ivoire by SPOs</p> <p>Applies to: SPOs in Ghana or Côte d'Ivoire</p> <table border="1"> <tr> <td>Core</td> <td>When the Fairtrade Minimum Price is above the market price you</td> </tr> <tr> <td>Year 0</td> <td>transfer 100% of the price differential to your members.</td> </tr> </table> <p>Guidance: The price differential is defined as the difference between the Fairtrade Minimum Price and the market reference price. Requirement 4.2.1 outlines the relevant market reference prices in Ghana and Côte d'Ivoire. The organization is encouraged to consult with their members on the ideal timing of Fairtrade Minimum Price differential payments and cash element of premium payments. SPOs are encouraged to discuss with their members key events in the crop or social calendar when members are most in need of additional payments.</p>	Core	When the Fairtrade Minimum Price is above the market price you	Year 0	transfer 100% of the price differential to your members.
Core	When the Fairtrade Minimum Price is above the market price you				
Year 0	transfer 100% of the price differential to your members.				
Interpretation	<p><i>How soon should SPOs transfer the FMP differential payments received by the organization to their members?</i></p> <p>As of October 2021, to comply with this requirement, organizations transfer any FMP differential payments to their members within 30 days of receipt by the organization. Organizations do not need to consult on the ideal timing of the price differential payments with their members.</p>				
Date	July 24, 2019				
Reference	Cocoa Standard				
Affected standard requirement(s)	<p>4.6.3 NEW APRIL 2017 Accounting systems for the price differential</p> <p>Applies to: SPOs in Ghana or Côte d'Ivoire</p> <table border="1"> <tr> <td>Core</td> <td>You have an accounting system that tracks and identifies price differential payments transparently.</td> </tr> <tr> <td>Year 1</td> <td></td> </tr> </table> <p>Guidance: The price differential is defined as the difference between the Fairtrade Minimum Price and the market reference price. This requirement complements the SPO Standard requirement 4.1.8 on having an accounting system that accurately tracks the Fairtrade Development Plan expenses, and in particular identifies the Fairtrade Premium.</p>	Core	You have an accounting system that tracks and identifies price differential payments transparently.	Year 1	
Core	You have an accounting system that tracks and identifies price differential payments transparently.				
Year 1					



<p>Interpretation</p>	<p><i>SPOs need to have an accounting system that tracks and identifies Fairtrade Minimum Price differential (FMP) payments transparently. The requirement defines what a FMP differential is, however it does not describe the elements that constitute a transparent accounting system. What do SPOs need to do to comply with this requirement after October 2019 when the FMP differentials need to be transferred directly to the members?</i></p> <p>As of October 2019, to comply with this requirement, organizations would need to:</p> <ol style="list-style-type: none"> 1) Communicate publicly and raise awareness amongst members of payment dates and amounts to be paid as FMP differential and as cash distribution of Fairtrade Premium. 2) Provide receipts to individual members' detailing the value of: <ul style="list-style-type: none"> - the FMP differential paid, including date, volume and cocoa season. - any Fairtrade Premium paid in cash, including date, volume and cocoa season. <p>At this link you can find a template for a receipt.</p> <ol style="list-style-type: none"> 3) Demonstrate each cocoa season that the amount of FMP differential distributed to the members reconciles with the FMP differential received by the PO. In Ivory coast this amount should be the Fairtrade International defined FMP differential multiplied by the volume traded by the SPO. 4) Demonstrate in documentation separately the amounts received of Fairtrade Premium and Fairtrade Minimum Price differential. 5) Report to the members collectively (to GA together) on total amounts of FMP differential, and Fairtrade Premium distributed as cash, if applicable. 				
<p>Date</p>	<p><i>July 24, 2019</i></p>				
<p>Reference</p>	<p><i>Trader Standard</i></p>				
<p>Affected standard requirement(s)</p>	<p>4.8.1 NEW Unfair trading practices</p> <table border="1" data-bbox="416 1339 1350 1608"> <tr> <td colspan="2" data-bbox="416 1339 1350 1406"> <p>Applies to: All traders</p> </td> </tr> <tr> <td data-bbox="416 1406 520 1608"> <p>Core</p> </td> <td data-bbox="520 1406 1350 1608"> <p>Fairtrade does not accept unfair practices that clearly damage producers' or other traders' capacity to compete or the imposition of trading conditions on suppliers that would make it difficult for them to comply with Fairtrade standards. There are no indications that you engage in such practices.</p> </td> </tr> </table>	<p>Applies to: All traders</p>		<p>Core</p>	<p>Fairtrade does not accept unfair practices that clearly damage producers' or other traders' capacity to compete or the imposition of trading conditions on suppliers that would make it difficult for them to comply with Fairtrade standards. There are no indications that you engage in such practices.</p>
<p>Applies to: All traders</p>					
<p>Core</p>	<p>Fairtrade does not accept unfair practices that clearly damage producers' or other traders' capacity to compete or the imposition of trading conditions on suppliers that would make it difficult for them to comply with Fairtrade standards. There are no indications that you engage in such practices.</p>				



	<p>Guidance: The EU Green Paper on unfair trading practices describe them as “practices that grossly deviate from good commercial conduct, are contrary to good faith and fair dealing and are unilaterally imposed by one trading partner on another”. Unfair trading practices refer to situations of abuse of a relative dominant position and/or abuse of economic dependency, when a stronger party imposes unfair conditions to an economically dependent (and thus weaker) party.</p> <p>Some examples of such practices are:</p> <ul style="list-style-type: none"> • Abusive contract terms such as bonded contracts or exclusivity contracts (unless clearly beneficial to the other party) and non-competition clauses. • Generally disadvantageous contracts imposed by abusing the position of creditor. • Excessive transfer of costs or risks to its counterpart such as demanding prices below costs or charging fees for services that are not demanded or are above value. • Misuse of unspecified, ambiguous or incomplete contract terms. • Sudden unfair termination or disruption of a commercial relationship, used as a means to bully a contracting party. • Misuse of confidential information. • Interfering with partner’s business such as poaching members from producer organizations or otherwise attempting to weaken existing organizations. 	
<p>Interpretation</p>	<p><i>Should traders, at /or beyond the price and premium payer, start charging customers the new Fairtrade Minimum Price and Premium for Cocoa as of 1st October 2019?</i></p> <p>Fairtrade does not require that customer contracts further up the supply chain include the new Fairtrade Minimum Price of \$2400 per MT and Premium of \$240 per MT as of 1st October 2019.</p> <p>However, Fairtrade expects that Fairtrade payers will charge their customers the new Fairtrade Minimum Price and Premium when the Fairtrade cocoa beans being sold to the customer include Fairtrade cocoa purchased from Small-scale Producer Organizations at the new Fairtrade Minimum Price and Premium.</p> <p>Consequently, implementation of the new Fairtrade Minimum Price and Premium for customers will vary depending on the certified trader’s stock or mass balance volumes of Fairtrade cocoa products as of 30th September 2019.</p> <p>Fairtrade recommends that suppliers adopt a <i>Transparent Pricing Policy</i> with their customers which details when beans were purchased from Small-scale Producer Organizations e.g. total volumes purchased pre and post the price increase and how this affects the prices of the cocoa products being charged during a particular time period.</p> <p>Fairtrade considers charging customers at the new Fairtrade Minimum Price and Fairtrade Premium for stock delivered by Fairtrade Small-scale Producer Organizations before 1st October 2019, to be an <i>Unfair Trading Practice as it is an example of “Excessive transfer of costs or risks to its counterpart “.</i></p> <p>Given that price and premium payers have to pay the Fairtrade Minimum Price</p>	



FAIRTRADE
INTERNATIONAL

	<p>differential¹ and the Fairtrade Premium, it is equally considered an unfair trading practice to sell Fairtrade cocoa beans at a price below Fairtrade costs. To ensure fair and sustainable trading practices are applied throughout the whole supply chain and to avoid excessive pressure on suppliers, all traders at /or beyond the price and premium payer, should sell and purchase Fairtrade products covering at least the applicable Fairtrade Minimum Price differential defined by FLOCERT and Fairtrade Premium.</p>
--	--

¹ The Fairtrade Minimum Price differential is applicable to cocoa sourced from regulated markets e.g. Cote d'Ivoire and Ghana.