FAIRTRADE INTERNATIONAL

Interpretation Notes Fairtrade Standard for Coffee

Version 15.07.2021_2.6

Date	***04 April 2024***
Affected standard requirement	**1.1.1 Producer organizations** **Applies to:** Fairtrade producer organizations **Core** / **Year 0**: You demonstrate that you have been an established and active organization for at least two years prior to requesting certification, with administrative, technical, commercial, and financial capacity by providing General Assembly records of the last two years, and a business development plan. If your organization does not export the crop directly, you demonstrate that you are engaged with an exporter. You also demonstrate you have market potential for at least the first two years of Fairtrade certification with a letter of intent from at least one buyer, with formal communication of business engagement with a Fairtrade buyer (importer/roaster); and a business plan agreed between the producer and the Fairtrade buyer (importer/roaster). **Guidance:** Please note that this requirement complements the SPO requirement 1.1.3 (Established organization), 1.1.4 (Market potential) and 1.1.5 (Collective and democratic decision to join Fairtrade). The business development plan is expected to include all information related to technical assistance capacities and priorities, work plans, membership development plan and information on production and sales estimates. This document can also serve as the business plan, given sale estimates and buyer name are included; demonstrating the aforementioned market potential. The confirmation of the engagement for the required assistance with an exporter is provided, whether already Fairtrade certified or following the requirement for new exporters (see requirement section 1.1.2).
Interpretation	***How should the requirements 1.1.1 for producers in the Fairtrade Standards for coffee be interpreted when Fairtrade certified SPOs decide to set up new legal entities within the existing structure or divide into complete separate legal entities to be in compliance with the EU organic regulation?"*** In 2018 the EU published the "Organic Regulation (EU) 2018/848. It has a key section talking about „Groups of operators": Art. 36. Also several secondary acts were published. In the Regulation (EU) 2021/279 „Control" (Jan 2021,) clarifies several conditions for the newly defined concept of "Groups of Operators (GoO)". There are a few elements that are relevant and thus may have an implication for Fairtrade certified organizations. These are: ✓ Legal entity composed only of organic or in-conversion farmers ✓ All must be within the newly defined farm size or organic turnover limit and ✓ Up to a maximum of 2000 members per Group of Operators are allowed This might lead to Fairtrade certified SPOs creating new legal entities within the SPO or dividing into separate SPOs to comply with the new organic regulation. In case some members of the SPO decide to create a new legal entity or more for the purpose of managing the Group of Operators and commercialize the product through the original SPO, the Group of Operators structure(s) will not affect the existing Fairtrade certification and will not be considered as a new producer organization under Fairtrade Standards. In cases, where the original SPO decides to split into a new organization(s), taking up responsibilities beyond managing the Group of Operators, including the

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	commercialization of the product and managing the Fairtrade certification, the new organization(s) need to apply for certification and should be exempted of the need to show the documents named in the entry requirement 1.1.1. and instead submit to FLOCERT the following: - Organic certificate - The ID of the Fairtrade certified SPO - The list of members of the original Fairtrade certified SPO and the list of members of the newly created SPO. Whereby at least 90% of the members should also be in the list of the original Fairtrade certified SPO. The purpose of this is to make sure that Fairtrade certified SPOs are able to continue with their organic certification following the new EU regulations. All other requirements relevant to the SPO certification remain applicable.
Date	***22 January 2024***
Affected standard requirement	**2.2.8 Role of exporters** **Applies to:** Exporters **Core** / **Year 0**: You define your role as payer or conveyor clearly in the contract. The responsibilities outlined in the Trader Standard regarding the payment and agreement on market price and the price differential for conveyors are explicit in the contract. If acting as a conveyor, you sell directly to a Fairtrade payer. **Guidance:** Please note that this requirement complements Trader Standard requirement 4.2.1 and 4.2.6. In cases where an SPO with export capacity provides an export service to other producer organizations, the role of payer or conveyor also applies. If acting as a payer, exporters own the Fairtrade coffee and are responsible for all payments including Fairtrade Premium, organic differential and negotiated prevailing differential. The payment should be completed on usual Cash Against Document (CAD) terms.
Interpretation	***The Intention of the requirement:*** To ensure exporters have a clear and transparent role in the supply chain and their responsibilities are known by the Fairtrade Producer Organisations. As per the requirement 2.2.8 on the Role of exporters of the Coffee Standards, exporters, when acting as premium and minimum price conveyors, shall sell coffee directly to a Fairtrade payer. ***The problem statement:*** In Colombia, the coffee supply chain is well structured since some years already. The country has two main exporters who act as conveyors. Nevertheless, they have many POs supplying them coffee, from now on refer as cooperatives. Those cooperatives have their own production, but they can also buy Fairtrade coffee from other SPOs, and in such case they act as a trader to the SPO. In this situation the cooperative pays local price for the product and provides services to the SPO, then sells the product to an exporter who sells to an importer that act as the Fairtrade Premium and Price Payer. This situation is accepted only when a tripartite contract is signed between the SPO, the cooperative (acting as trader), and the exporter, specifying that the exporters (acting as a conveyors of the premium), must directly transmit the premium to the SPO. Also, the cooperatives (acting as traders) will be price conveyors and will have to pay the applicable differentials (e.g. organic and

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<tr><td></td><td>prevailing) and the difference between the local price and price agreed with the Fairtrade price payer, but it cannot be lower than the Fairtrade minimum price.
The tripartite contract must specify the following:

Price paid by the cooperative when purchasing from the SPO.
Price paid by the exporter to the cooperative (acting as trader), breaking down the price agreed, the differentials and premium.
The terms of payment of the Fairtrade Price, differentials and premium, to the SPO from the cooperative and the exporter.
The date on which the settlements will be made (SPO to the cooperative, and the cooperative to the exporter).
Applicable exchange rate for the payments.
Deductions made for the services provided by the cooperative (acting as trader) and the exporter.
Profit margins deducted by both traders.
Amount of coffee sold from the Fairtrade Producer Organisations to the cooperative (acting as trader).</td></tr>
<tr><td>Date</td><td>04 April 2024</td></tr>
<tr><td>Affected Standard requirement</td><td>3.1.2 NEW 2026 No deforestation on farms

Applies to: Fairtrade producer organizations

Core
Year 0
Your members did not cause deforestation or degradation in primary or secondary forests, protected areas, and areas of High Conservation Value or Carbon Storage ecosystems to convert land into agricultural production areas, since 31st December 2018.

Production does not occur in areas officially designated as buffer zones, except where it complies with applicable national law.

Guidance: Deforestation is the conversion of forest to other land use or the permanent reduction of the tree canopy cover, area of land cover by forest, below the minimum 10 percent threshold (The Global Forest Resources Assessment, FAO, 2015).
A High Conservation Value (HCV) is a biological, ecological, social, or cultural value (area) of outstanding significance or critical importance. (A good practice guide for the adaptative management of HCVs, HCV Resource Network, 2018).
A protected area is a clearly defined geographical space, recognised, dedicated and managed, through legal or other effective means, to achieve the long-term conservation of nature with associated ecosystem services and cultural values (IUCN Definition, 2008).
Primary forest means naturally regenerated forest of native tree species, where there are no clearly visible indications of human activities, and the ecological processes are not significantly disturbed (EU Regulation 2023/1115, Article 2).
A secondary forest (or second-growth forest) is a forest or woodland area which has regenerated through largely natural processes after human-caused disturbances, such as timber harvest or agriculture clearing, or equivalently disruptive natural phenomena (Chokkalingam, U.; de Jong, W. (2001-11-12). "Array - CIFOR Knowledge").
Forest degradation means structural changes to forest cover, taking the form of the conversion of:
(a) primary forests or naturally regenerating forests into plantation forests or into other wooded land; or
(b) primary forests into planted forests (EU Regulation 2023/1115, Article 2).
Carbon storage ecosystems are terrestrial and aquatic ecosystems with a capacity to sequester and store carbon, maintain environmental quality and provide living conditions to plants and animals (SPO standard, req. 3.2.31).
Buffer zones are designated areas used to protect sensitive landscape patches (e.g., wetlands, wildlife reserves) from negative external pressures (USDA)
The following activities are not considered ‘deforestation’:
• When a tree crop is replaced by another (for example cocoa, coffee or fruit tree);
• Tree management on agro-forestry or home-garden production systems.
Your members may identify protected areas with the help of local, regional or national authorities. Please note that this requirement complements SPO Standard requirement 3.2.31 “Protection of forests and vegetation”.</td></tr>
<tr><td>Interpretation</td><td>What is the rule and how does it work?

All SPOs certified in Fairtrade coffee are required to provide geolocation data for all farms/members to Fairtrade International according to the formats and templates provided on an annual basis to meet the Standard requirements.

Where there has been no change to the farm size or location, annual data submission can include data collected in prior years.
Where possible the data will be utilised to provide farm-level risk assessments of</td></tr>
</table>

	deforestation and identification of farms in protected areas using deforestation monitoring technology. The information will be shared with the relevant SPOs. SPOs may receive a report with the results of the monitoring. This may lead to the identification of one or more deforestation alerts on the SPOs' members' farms. It is the responsibility of the SPO to share deforestation alerts with the relevant member of the SPO. If an alert is determined to be false, the SPO must dispute the deforestation alert by submitting this information to Fairtrade International within 4 weeks of receiving the alert, using the provided template for alert disputes. If alerts are confirmed to be true, the SPO would need to take corrective actions. SPOs will receive instructions at the same time with the alerts from Fairtrade International on how to document the action taken by the SPO to resolve the alert (SPO submitted an alert dispute, or if the SPO excluded the associated member from the cooperative or taken any other action). SPOs must submit to Fairtrade International the action taken for each alert within 4 weeks of receiving the alert.
Date	***04 April 2024***
Affected Standard requirement	**3.1.6 NEW 2026 Geolocation data** **Applies to:** Fairtrade producer organizations **Core** / **Year 0**: Geolocation data is available for 100% of your members cultivating coffee as GPS location points or GPS polygons. As a minimum you have GPS polygons for farms over four hectares and GPS location points for the farms smaller than four hectares. You identify and prioritize which other farm units should be polygon mapped, based upon area risk of deforestation, and adopt a phased approach. You use the data to further inform your plans to prevent deforestation. **Guidance:** Farm is defined as "area of land used for growing coffee" (Global Coffee Platform, Glossary & Guidance, 2023), which is equivalent to the definition of plot of land by the EU-DR regulation
Interpretation	***What is the rule and how does it work?*** Geolocation data is available of all plots of land for 100% of their member and farm operator units cultivating Fairtrade certified coffee. The list below describes the types of geolocation data, either geolocation points or polygons, that will need to be submitted: • Polygon data are required for all farms defined as high risk, see below for definition. • Polygon data are required for any single plot of farm land growing Fairtrade certified coffee 4 hectares or larger. • Point or polygon locations are acceptable for any single plot of farm land less than 4 hectares and not defined as high risk. **High risk** farms are defined as farms that meet one of these criteria: • Evidence of deforestation within 500 meters of farm boundary, for example a

	deforestation alert from deforestation monitoring technology. Where this analysis is provided by Fairtrade International's provider that analysis takes precedence over any other. • Farm boundary is within 200 meters of a protected area.
Date	***04 April 2024***
Affected standard requirement	**3.1.7 NEW 2026 Sharing geolocation data** **Applies to:** Payers and conveyors, who collect farmer data from producer organizations **Core** / **Year 0**: Geolocation data is available for 100% of the coffee farms you are sourcing coffee from as GPS location points or GPS polygons. As a minimum you have GPS polygons for coffee farms over four hectares, and GPS location points for coffee farms smaller than four hectares. You share this data with SPOs so that they can use it to inform their plans to further prevent deforestation. **Guidance:** Farm is defined as an area of land used for growing coffee (Global Coffee Platform, Glossary & Guidance, 2023), which is equivalent to the definition of plot of land by the EU-DR regulation. Regarding 100% of the farm units – in some cases, traceability systems may be in place that allow the payer/conveyor to identify specifically the farm units supplying the cocoa they are purchasing. The payer/trader may wish to declare this and submit supporting evidence to the certifier. If no such traceability systems are in place, the payer/conveyor can declare the geolocation data of all registered farms associated with the Fairtrade producer organizations they are sourcing from. At the least, the geolocation data should be collected upon arrival in port of destination.
Interpretation	***What is the rule and how does it work?*** Payers and conveyors share geolocation data with the relevant SPO of the farm units from which they source coffee. This data should be shared using the formats defined by Fairtrade International. Evidence of the shared file should be available to FLOCERT at audit, e.g., the Nextcloud folder with the files. The guidance document for traders can be found here.
Date	***04 April 2024***
Affected Standard requirement	**3.1.8 NEW 2026 SPO reporting** **Applies to:** Fairtrade producer organizations **Core** / **Year 1**: You report data to Fairtrade International every year, through the FairInsight platform. https://fairinsight.agunity.com **Reporting indicators:** **A. Geolocation and Forest Cover Loss Monitoring Data**: - available geolocation data of member coffee farms. **B. Deforestation Prevention and Mitigation Support**: - type of support received during the past year, including its estimated monetary value, to prevent and mitigate any deforestation and degradation of forest
Interpretation	***What is the rule and how does it work?*** Data collected for the purpose of deforestation mitigation, including the geolocation data and the type of support received from traders etc. has to be submitted to Fairtrade International. For deforestation prevention and mitigation support: SPOs report this information on an annual basis via the FairInsight online platform:

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<tr><td></td><td>(https://fairinsight.agunity.com). For geolocation and forest cover loss monitoring data, guidance may be found here on how to prepare the geolocation data in the template provided and submit it to Fairtrade International:
https://nextcloud.fairtrade.net/index.php/s/T9FF82xe25GF9Hs</td></tr>
<tr><td>Date</td><td>04 April 2024</td></tr>
<tr><td>Affected standard requirement</td><td>3.1.9 NEW 2026 Trader reporting
<table>
<tr><td colspan="2">Applies to: Payers and conveyors</td></tr>
<tr><td>Core
Year 0</td><td>You report data to Fairtrade International every year. You present the data in the templates and formats provided.</td></tr>
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Reporting indicators:
<table>
<tr><td>A. Geolocation and Forest Cover Loss Monitoring Data (applies to payers and conveyors only)</td><td>- available geolocation data of the farm units you are sourcing from (with the appropriate approval from SPOs)</td></tr>
<tr><td>B. Deforestation Prevention and Mitigation Support (applies to all payers)</td><td>- type of support provided to SPOs during the past year, including its estimated monetary value, to prevent and mitigate any deforestation and degradation of forest</td></tr>
</table></td></tr>
<tr><td>Interpretation</td><td>What is the rule and how does it work?
All payers and conveyors certified in Fairtrade coffee are required to provide geolocation data at farm level to Fairtrade International on an annual basis to be in compliance with the Standard requirements.
Where there has been no change to the farm size or location annual data submission can include data collected in prior years.

Payers and conveyors submit to Fairtrade International geolocation data of 100% of the farm units they are sourcing from.
Data are reported annually by payers and conveyors to Fairtrade International using the provided links and proformas. The time at which each payer and conveyor reports their data to Fairtrade is decided by the organization, however the data are reported in the same month each year.

Payers and conveyors write to datareporting@fairtrade.net to request a link where the data can be submitted to Fairtrade. Do not attach any geolocation data to your email to Fairtrade, this is not a secure way to share data and any data received via email will not be considered as complying with the standard requirement.
Guidance may be found here on how to prepare the geolocation data in the template provided and submit it to Fairtrade International:
https://nextcloud.fairtrade.net/index.php/s/T9FF82xe25GF9Hs</td></tr>
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Date	***04 October 2022***

Affected standard requirements

4.1.1 Market price reference

Applies to: Fairtrade producers organizations, payers and conveyors

Core

Year 0

When market prices for coffee are higher than the Fairtrade Minimum Price, traders and producers are to agree coffee prices using the Fairtrade reference for market prices as follows:

Reference market price	
NYC' (Arabica) or London RC (Robusta)	+ prevailing differential

The reference market price can never be below the Fairtrade Minimum Price.

For Arabica coffees the reference market price is based on the ICE New York C contract in US$-cents per pound, plus the prevailing differential (positive or negative) for the relevant quality, basis FOB origin and, net shipped weight.

For Robusta coffee, the reference market price is based on the ICE London RC contract in US$ per metric ton, plus the prevailing differential (positive or negative) for the relevant quality and origin, basis FOB origin and, net shipped weight.

The 'prevailing differential' refers to the average differential or range valid in the mainstream market for conventional coffee of that country and grade at that moment. Producers and buyers agree upon a differential, using the differential that prevails in the mainstream market for non-Fairtrade coffee, as a baseline, and taking into account actual quality, shipment date, logistics, risk, and availability. A negative differential cannot be applied to the Fairtrade Minimum Price.

The organic differential and Fairtrade Premium can never be below the levels defined in the Fairtrade Minimum Price and Premium table. The Fairtrade Premium and organic differential (in the case of organic coffee) are to be added, clearly separated from the prevailing differential, and are not subject to negotiations.

The Fairtrade coffee price is as follows:

Reference market price or FMP (whichever is higher)		+ Fairtrade organic differential (in case of organic coffee)	+ Fairtrade Premium
NYC' (Arabica) or London RC (Robusta)	+ prevailing differential		

Guidance: If the Reference market price is above the Fairtrade Minimum Price, contracts should clearly state the Reference market price by breaking down the NYC' or London RC prices plus the prevailing differential. If the Reference market price is below the Fairtrade Minimum Prices, then only the Fairtrade Minimum Price is sufficient. In both cases, the Fairtrade organic differential (in case of organic coffee) and the Fairtrade Premium should also be stated in the contracts, in addition to the prevailing differential, regardless of its value.

The Fairtrade Premium and organic differential (in case of organic coffee) are to be added to that, clearly separated from the prevailing differential and are not subject to negotiation, but defined in the standards.

This is valid for price-to-be-fixed contracts and fixed-price contracts.

Interpretation

The Intention of the requirement:

To ensure producers get a fair price for their coffee (including the relevant country and grade specific prevailing differentials) even when market prices are higher than the Fairtrade Minimum Price.

The problem statement:

Prevailing differentials are understood as price variances which the market will pay due to quality, demand, etc. The amount of the prevailing differential will depend not only on how much buyers are willing to pay in the mainstream market for conventional coffee of that origin and grade, but also on the specifications the coffee product. Differentials are very volatile, they are agreed on an individual basis between buyer and seller and there is not one official source for differential values. Therefore it is not possible to use such list as reference. This lack of a clear reference makes it impossible to assess whether reference values were paid. Furthermore it is also not possible to compare the prevailing differentials agreed upon and paid, to a reference prevailing differential.

To ensure the requirement is implemented and assessed in line with the intention of the standard, Fairtrade International is issuing this interpretation note on how prevailing differentials are to be audited.

How to audit the prevailing differentials if there is no official or generally accepted source for coffee differential that prevails in the mainstream market for non-Fairtrade coffee?

<u>The Certification Body audits the following:</u>

1. A prevailing differential has been agreed upon between the seller and buyer i.e. that a prevailing differential exists and is listed in the contract;
2. The price breakdown is stipulated in all contracts, i.e. the agreed prevailing differential is mentioned explicitly and separately in a contract and, as best practice, also in the price fixation confirmation e.g. NYC December 2022 or fixed price + 0.10 USD/lbs prevailing differential + 0.30 USD/lbs organic differential + 0.20 USD/lbs Fairtrade Premium);
3. Market price plus agreed upon prevailing differential are not below Fairtrade Minimum Price. Differentials applied can either be zero differentials or even negative differentials, as long as market price plus the agreed upon differentials are not below the FT minimum price.

<u>The Certification Body, does **NOT** audit the following:</u>

4. The comparison of the prevailing differentials agreed upon between buyer and seller with information on prevailing differentials published (e.g. by Producer Networks or any other body);
5. The comparison of prevailing differentials agreed upon for Fairtrade contracts with prevailing differentials agreed upon for non-Fairtrade contracts;
6. Whether the agreed prevailing differential value had considered quality, shipment date, logistics, risk, and availability of the coffee.

This interpretation is applicable for price-to-be-fixed contracts or fixed-price contracts. The interpretation applies to the requirement with immediate effect in all upcoming audits.

With the above interpretation, the guidance to this requirement has also changed to reflect the current practise.